MAR. 9
1935

BUSINESS WEEK

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Acme

RIGHT SOURCE—Senator Carter Glass, author of the Federal Reserve Act, can—and does—tell the Washington correspondents how the new bank amendments swing an Administration club over the country's banking and credit system.

Riddle for Today...

A red maraschino
A thick slice of orange
Piquant and juicy
A trim cut of pineapple
Lush as Hawaii
Sugar... bitters... ice
Then
A brimming silver jigger
Of Old Overholt rye...

Now what have you?

Don't all speak at once
The answer is correct
You have an Old Fashioned
Like nobody's business
Old fashioned in name
Old fashioned in flavor
And in rich grainy
Fruity heady
Heart-warming
Goodness

Old Overholt rye
Is aged 4 years
In Arkansas oak
Then bottled in bond
A grand, bland
100 proof
Straight rye
That has soothed
Grateful gullets
Since 1810.

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OLD OVERHOLT RYE

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Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Fear that Congress may run away with the President, carrying him further to the left than he wants to go, endangering public credit, attacking industry regardless of effects on employment, and hamstringing his program generally, will dominate the Washington picture for a time yet. But under the boiling surface, the stream is moving pretty much as the President originally planned. Not so smoothly and certainly not so swiftly, but just as surely.

WHAT CONGRESS DID

The Senate:

Resumed consideration of Work Relief Bill.

Started NRA investigation.

Adopted resolution asking accounting on PWA funds.

The House:

Passed $59-million Interior Dept. appropriation.

Got favorable report on pink slip repeal, non-inflationary bonus bill.

No Inflation Notice

Roosevelt's declaration that the burden of debt, as measured by the purchasing power of the dollar, is still too heavy, was a mere reiteration of what he has said many times before. Its significance was merely that the goal is still unattained. The President intends to press on in the fight to raise commodity prices.

Lack of Confidence Shown

Congress was, however, much impressed by the reaction in financial markets, which tends to increase the President's troubles on Capitol Hill. The point is that speculators sprang to cover and issued buying orders as long as they thought the President's statement meant he would take the remaining 9c. gold out of the dollar. As soon as they discovered he was merely restating his desire for higher commodity prices to help farmers and relieve debt burdens, the reaction was severe. Which "proved" to many doubting Thomases in Congress that the "smart boys" have lost confidence in Roosevelt's ability to achieve his aims.

No Early Adjournment

Hopes of the Administration for an early adjournment of Congress have now turned to hopes that NRA will be reenacted before the present setup expires June 16. Congress will be here in August. May stay longer.

NRA Storm Center

NRA is in for a real raking fore and aft in which the radicals hope to embarrass the Administration and make possible further left-swings, aimed particularly at monopoly. This worries conservatives who had hoped that business would be given a chance. With Clay Williams now out of the picture and with General Johnson's charge that Richberg has put NRA in a coma, the President's right-hand man is now even more vulnerable than before as the chief target of the radicals.

Hard-Earned Victory

The prospect still is that the President will win the prevailing-wage battle, and without having to veto the Work Relief Bill. But victory has strained his control, encouraged trouble-making Senators to think up new monkey wrenches. However, the President will probably get almost everything he desires, as *Business Week* has predicted since the bill passed the House.

Social Legislation Held Up

Elimination of Morgenthau's proposal to build up a $50-billion reserve for old-age pensions is assured. Final passage of unemployment insurance will not come for months. Too many difficulties to iron out.

Bonus Compromise Sought

The Administration still hopes for a compromise on the bonus bill which would cut the total to a maximum of $1.2 billion, but in this, as in other affairs at present, surface indications frighten those concerned about government credit.

Mortgage Cuts Threaten

The Administration is holding back a vote on the Farm Credit Bill, fearing the House on rollcall would approve the Senate amendment cutting farm mortgage rates from 4½% to 3½%. Farm mortgages, now costing the government $15 millions more than receipts, would jump to at least $35 millions if the Wheeler amendment prevailed. The government also fears cutting of interest rates on home mortgages in HOLC, which would saddle another unexpected burden on the Treasury. Both these interest-cutting proposals aim directly at the President's policy of urging private capital into this type of investment to take the strain off the government.

Banking Bill Sure

Indications are that the banking bill will have even less trouble in the House than was anticipated, Senator Glass having failed so far to muster his normal strength. As previously predicted, the measure will go through, with the most spectacular attack upon it coming from the inflationists rather than the conservatives.

Holding Company Reprieve

"Modifying" amendments to the holding company bill will leave plenty of teeth, even if the death sentence proposed for 1938 is lifted. This "reprieve" would meet the technical objections of many thousands of protests from constituents. Whether holding companies are eliminated, regulated, or relegated to the status of investment trusts, the power pattern of the future will consist of geographically and economically grouped operating companies.

Pink Slip Repeal

Force behind the pink slip income tax publicity repeal is mounting and victory, forecast last week, is now more certain—thanks to the united front of the newspapers and to the mail demands that are still swamping the Washington postoffice.

Not Long for Long

In employing ex-Gov. Dan Moody of Texas to prosecute income tax evasion cases, the Administration is confident of eliminating Huey Long as a political factor long before the Presidential campaign opens. It expects Moody to break down the little fellows, and, through their testimony, to involve the Kingfish.

No Subsidies this Session

More delay is indicated for direct ship subsidies which will probably not get through this session. The intention of the government is to base the subsidy on the difference between the costs to American and foreign governments of their shipping, including both construction and operation. Present estimates show that this amount is smaller than the $27,000,000 now paid American ships on mail contracts as a premium over transportation costs.

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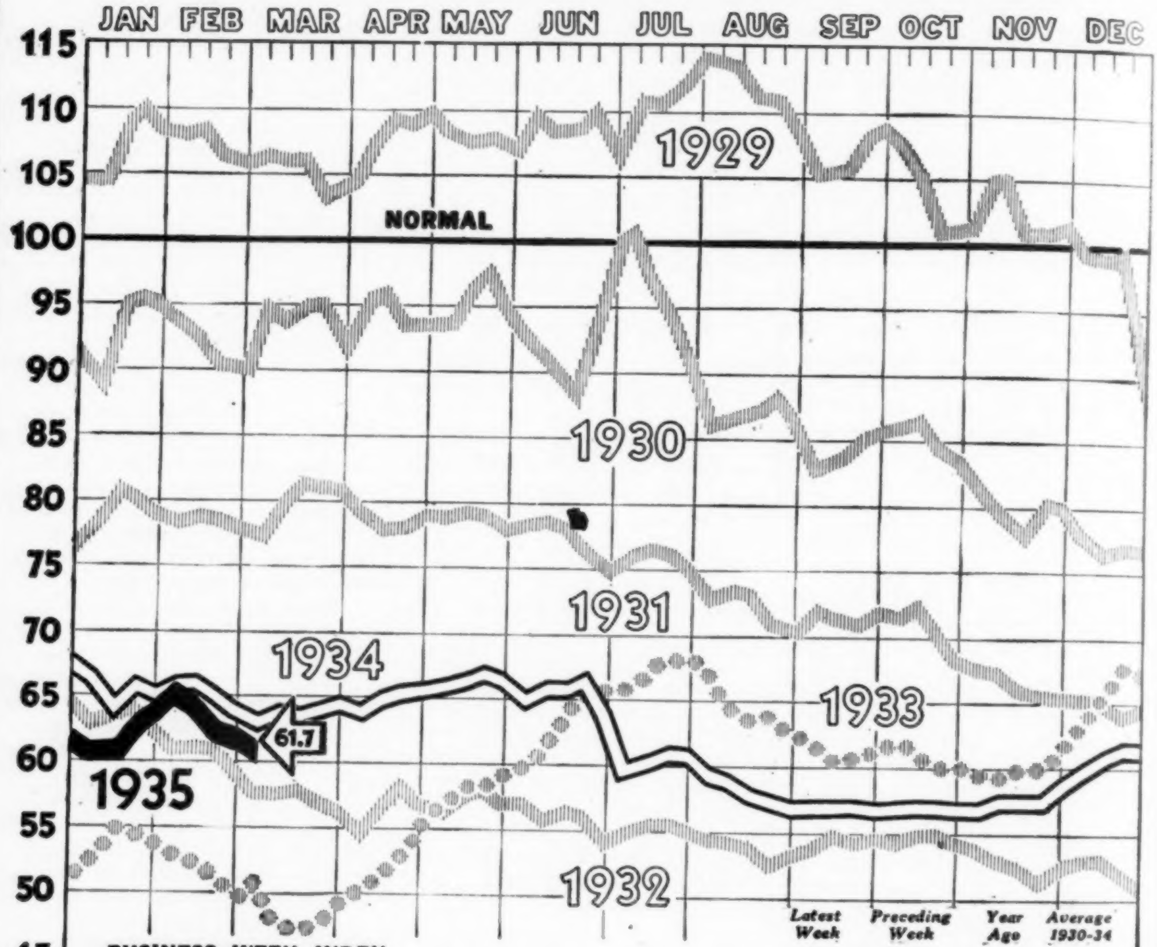
WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*61.7	†62.8	63.7	69.4
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	48.2	47.9	47.7	44.3
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$3,184	$3,373	$5,177	$6,258
★ Bituminous Coal (daily average 1,000 tons)	*1,409	1,419	1,388	1,295
★ Electric Power (millions K.W.H.)	1,734	1,728	1,658	1,596
TRADE				
Total Carloadings (daily average 1,000 cars)	99	97	103	110
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	63	61	61	70
★ Check Payments (outside N. Y. City, millions)	$3,179	$3,618	$2,852	$3,529
★ Money in Circulation (daily average, millions)	$5,465	$5,452	$5,370	$5,325
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.01	$1.00	$.82	$.72
Cotton (middling, New York, lb.)	$.126	$.126	$.124	$.104
Iron and Steel (STEEL, composite, ton)	$32.42	$32.50	$31.36	$31.01
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.078	$.093
All Commodities (Fisher's Index, 1926 = 100)	82.0	82.2	74.4	72.0
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,455	$2,460	$2,565	$1,886
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$18,321	$18,215	$17,400	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,603	$4,567	$4,665	......
Security Loans, Federal Reserve reporting member banks (millions)	$2,995	$2,983	$3,520	......
Brokers' Loans, Federal Reserve reporting member banks (millions)	$892	$852	$910	......
Stock Prices (average 100 stocks, Herald Tribune)	$96.26	$96.94	$103.47	$119.05
Bond Prices (Dow, Jones, average 40 bonds)	$96.48	$96.98	$91.72	$87.42
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.1%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	1¼-1½%	2.7%
Business Failures (Dun and Bradstreet, number)	224	285	253	526

* Preliminary † Revised ★ Factor in *Business Week* Index

The Business Outlook

MIXED trends appeared in the business world this week. While steel activity picked up momentum after the opening of books for second-quarter orders, and automobile assemblies strove to reach new highs for the week since 1929, the textile markets grew apprehensive over the weakness of prices, the sluggishness of buying before the late Easter season. Production of cotton cloth slowed down; producers of other textiles began talking of voluntary output restrictions to bolster the price structure.

Abroad, the downward course of sterling created a stir and speculation again arose as to the possibility of further dollar devaluation. The President's statement of his dissatisfaction with the relationship of debts and current prices, despite the improvements of the past 2 years, added fuel to the fire. Washington denied this was a devaluation threat.

Price Rises Promised

While commodity prices, particularly food and farm prices, have climbed to higher levels since Jan. 1, the stock market has gradually been sinking to new low depths for 1935. Utilities and rails have borne the brunt of the depressing influences. There is not much encouragement for the average householder to believe that his food bill will diminish in coming months. Secretary Wallace has ventured to forecast an 11% increase in the first half of 1935 compared with the last half of 1934.

Meat Going Up

Meat prices are scheduled for a 22% rise in the next few months. Already this increase has forced the consumer to curb his appetite for steaks and chops. January tonnage sales of domestic meat packers were 23% under a year ago and 15% under the 10-year average for the month. Reduction in the animal population and the cotton crop through the AAA program and the drought has also cut into the supply of fats and oils, stimulated the importation of such products, boosted both raw material and finished products prices. Procter & Gamble has made 4 successive increases in soap prices in less than a year.

Cash for Farmers

January farm income from farm products was only $3 millions greater than a year ago, but the addition of $70 millions in rental, benefit, and governmental receipts from sales of drought cattle, sheep, and goats brought the total cash income to $498 millions compared with $488 millions in December and $485 millions a year ago.

Chain Sales Better

Despite the inclement weather that many sections of the country experienced in February, retail sales are expected to make a fair showing. The first chain stores reporting not only improved their sales over a year ago, but increased them over January. March may appear less favorable, since Easter sales fell in that month last year whereas they come in April this time.

Private Construction Gains

Construction is the industry that is pulling the *Business Week* Index of Business Activity back to the 60%-of-normal line. February's volume of $75.1 millions in the 37 states covered by Dodge is the lowest for any month since May, 1933—almost the low of the depression. However, there is one encouraging aspect: the proportion of publicly financed projects is declining. In December, 66% of the construction volume represented public undertakings; in January this fell to 55%, in February to 50%. *Engineering News-Record* also confirms the budding revival of private projects, among which new steel mills loomed large in the past week. Mesta Machine Co., builder of steel mills, expects capacity operations for 1935, following a 140% increase in profits for 1934.

While public works and utility awards were 48% smaller than a year ago, residential construction was 14% and non-residential 6% larger than in February, 1934. Both classes made the best February totals since 1932.

The Industry Unafraid

The one major industry that is undaunted by legislative or monetary threats, refuses to wait for the removal of real or imagined obstacles to recovery, is unbalked by the existence of 10 millions unemployed and the growing relief rolls, is the automobile industry. It has convinced itself, and should convince others, that "the way to resume is to resume." Motor plant employment has been stepped up to the 1929 level; January output of 303,372 cars was largest for the month since 1929. For a number of companies February was the best month in history. March production, set at 400,000, and April at something higher, maintains the pace. Second-quarter production is normally substantially higher than first quarter.

Motor Demand Holds

Other industries look askance at the boldness of the motor industry, express doubts as to consumer ability to absorb such a volume of cars. But neither Ford nor Chevrolet have satisfied their dealer requirements. January passenger car sales are up 136% from a year ago, with final returns expected to reach 140,000 against 75,514 in December. Succeeding months will show a narrower margin, since last year's January sales were curtailed by production difficulties. Truck sales of 37 states in January were up 39% from December, 56% from a year ago. If the industry should sense any wavering in consumer appetite for its products, it has remedies in the form of intensive advertising, and—as a last and very remote resource—in lower prices. Use of the latter is not expected.

Strike Threats Fading

Strike threats in textile, steel, and motor industries continue to fade in importance. Green's move to take a strike vote in automobile locals is regarded as a futile effort to strengthen his hand in negotiations requested on behalf of General Motors employees. In soft coal, Lewis made a veiled threat of labor difficulties on Apr. 1 if the 30-hour week and $5.50 per day minimum were not agreed upon. Fear of possible interruptions has helped sustain coal loadings.

More Furnaces Fired

February pig iron output expanded 21% in February compared with January, indicating a substantial gain for steel production as well. Six furnaces were put in operation during the month, bringing the total number to 96 on Mar. 1. Steel producers count on an accumulated rail business, together with support from farm implement and household equipment makers, to take up any slack from motor centers in the next quarter. January employment in a number of such industries was not far from the 1929 average.

Treaty Opposition

Anticipated opposition has already arisen to the Belgium trade pact. Steel and cement face stiffer competition on the coast. On the other hand, motor producers and business equipment makers look forward to better export business.

BUSINESS WEEK

MARCH 9, 1935

Drought Ahead

With acute water shortages already hitting the hard wheat and range country, nature seems likely once more to take a decisive part in farm recovery.

ANOTHER drought year, for some sections the sixth in succession, threatens the western Great Plains, heart of the hard wheat and range country. Dust storms, low water in farm wells and in city, railroad, and irrigation reservoirs, give their dismal forewarning. Over broad areas, encompassing western Oklahoma, Kansas, Nebraska, the Dakotas, eastern parts of Montana, Wyoming, and Colorado, there were no drought-breaking fall or winter rains. Last year's moisture shortages, rather than being relieved, have been intensified, and in most parts of this area the ground reserves are less than a year ago.

Only copious spring rains will avert graver disaster than last year's and that is not a likely expectation for this normally semi-arid region.

Grain Destroyed

Greatest immediate concern is expressed for the Southwestern winter wheat belt, extending from Texas' Panhandle northward to central Nebraska and from the mountains to the Mississippi Valley states. Millions of acres of grain have already been destroyed. Young plants, weak from moisture deficiency and denied any protective covering of snow, succumbed to dust storms and sudden freezes after unseasonally warm weather had started spring growth. Much of the remaining acreage, normal source of one-third of the wheat crop, has little prospect of attaining maturity. Department of Agriculture experts say it requires spring rains 21% above normal, an extravagant expectation in "dry-farming" areas.

Farther north, in spring wheat territory, there is still time for crop-making rains, but short yields are held almost inevitable, barring an exceptionally wet spring and summer to overcome the subsoil deficiencies.

Even the irrigation districts will have a hard time squeezing by another summer of evaporating heat. The mountain snow pack is mostly below normal and east of the 100th meridian the outlook for storage supplies is critical. Reservoirs stored only 3 million acre-feet at Jan. 31, compared with 5 million a year ago. Only slight improvement in runoff prospects was noted in February.

In contrast to the arid West, the Mississippi Valley has received abundant rains and recurrence of crop failure in the corn belt is unlikely since this so-called "humid area" can ordinarily tide a fair crop through on summer rains. The Ohio Valley varies. Central and Western sections have received ample moisture for present needs and benefit by good subsoil conditions. Eastern Ohio Valley will need generous rains through the crop period to overcome short ground reserves.

Wind erosion, incident to drought over semi-arid areas deprived of natural protection, has jeopardized future productivity of millions of acres, already destroyed some. A recent nation-wide survey disclosed severe damage to 4 million once-fertile acres in Oklahoma, 4 million in South Dakota, 8 million in the Texas Panhandle, 3 million in Montana, 9 million in Colorado, 6 million in Kansas. In all these states much greater areas are threatened.

Another season of widespread drought would not be the ally to governmental farm recovery programs that the last one was. The nice balance attained between supply and demand for most farm products has given the farmer about all the price enhancement that could be expected. His prices are already developing consumer resistance, competition from imports. Short crops another year would not bring an automatic offset in higher prices on what was produced. The fortunate farmer would not again benefit so greatly at the expense of his ruined neighbor.

Early Estimates

So far, of course, it is only the range and hard wheat areas that are affected. On early season private estimates, the favorable situation of soft winter wheat in Middle West and Eastern states overcomes the sorry prospects in the Southwest, giving total production forecasts of 500 million bu. against an actual harvest of 400 million bu. last year. Further inroads on cattle and sheep herds can be moderated in their effect upon total meat supplies if good feed crops are harvested outside drought areas. Fewer animals finished out with

International News

SUCCESSFUL LOBBYISTS—When relief funds were held up in Minnesota, farmers from drought-stricken counties made an effective publicity gesture with a horse, a cow, and a pig, whose condition persuaded legislators to suspend rules, rush through a $\frac{1}{2}$-million emergency appropriation for feed in less than 10 hours.

heavier grain feeding might equalize the situation.

Department of Agriculture crop restriction plans or farm income estimates have had no revision in light of weather developments to date. Cash income for 1935 is expected to reach $6.5 billions, up $500 millions from 1934, and, to attain this revenue for the farmer, food prices must rule 11% higher during 1935 than they did in the last half of 1934.

—And More Crop Control

AAA faces a fight over its efforts to tighten restrictions, fresh complications in cotton, perhaps another drought.

THE Agricultural Adjustment Administration's program is complicated by the outlook for the further intervention of nature in its crop curtailment campaign. Up before Congress now for enlarged powers, the AAA's principal opponents so far have been the distributors and processors. But the ranks of antagonists promise to be swelled by an army of consumers if food prices are given another boost by crop failures.

AAA's legislative requests deal principally with the miscellaneous farm crops, fruits, vegetables, nuts, which it proposes to handle through marketing agreements as contrasted with the production contracts and benefit payments used in most of the "basic" commodities. On the latter, 1935 quotas for wheat, cotton, corn-hog, tobacco have been set. Revisions of this phase of AAA deal only with extending control over livestock. It is proposed to split up the present $2.25 per 100 lb. processing tax on hogs; levying 30¢ per 100 lb. on beef cattle, 20¢ per 100 lb. on sheep, 1¼¢ per lb. on butterfat and only $1.25 per 100 lb. on hogs. Estimated revenues, plus those from present taxes on corn and other feed grains, would total $171 millions for 1936-37.

Curb on Feed Supplies

Instead of being repaid to livestock raisers, proceeds would go as benefits to feed-crop producers to induce curtailment. Thus, by pinching feed supplies, AAA hopes to gain controls which cannot be attained with equal dependability upon reproduction of animals.

AAA's hardest fight is certain to center around the marketing agreements and its power to license processors. It seeks unquestioned authority (said to be implied but not clearly enough expressed in the present Act) to clamp quotas upon all producers when two-thirds of them assent to a proposed restriction plan. Power to enforce restriction would come from the right it seeks to place handlers and processors under license willy-nilly.

Processors, allied under the Agricultural Industries Conference of the U. S. Chamber of Commerce, are putting up a strong fight against this elaboration of the Act, declaring it gives "dangerous, arbitrary, and autocratic powers over farmers, manufacturers, and distributors of agricultural products." To them the law means that every business concern that touches a farm product would be under the police power of the Secretary of Agriculture.

At the hearings this week, AAA's Administrator Davis answered this objection by explaining that licenses could only be imposed upon those concerns eligible to sign agreements, would not extend automatically to tire manufacturers because they used cotton fabric, as the processors' spokesmen implied.

Particular concern of AAA is milk, the one "basic" commodity handled through marketing agreements and licensed distributors. Its struggle with milk has been continually complicated by jurisdictional disputes.

New York Law Invalid

Still unsolved, this problem was further confused this week when the Supreme Court held New York State's regulation of milk invalid with respect to supplies coming across state lines. whereas the Chicago Federal District Court held last year, that federal authority could not regulate flow of milk from Wisconsin into Illinois because the main current of Chicago's milk supply was in intrastate traffic. The defects in both state and federal control individually point to a careful combination of state and AAA powers.

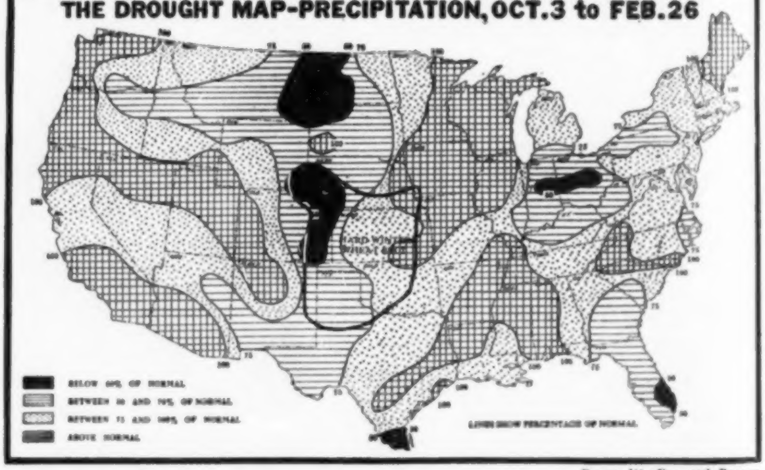
Still another problem has arisen to plague AAA. That is cotton and the cotton states' share-croppers. There are the 6 million bales of cotton held under Commodity Credit Corporation's 12¢ and 10¢ loans and in the producers' pool. Barter arrangements to get it into foreign consumers' hands have fallen down. Now Secretary Wallace has sent Oscar G. Johnson, general manager of the cotton pool, as business agent extraordinary to drum up buyers among potential customers abroad.

Meanwhile, carrying charges pile up and AAA is already confronted with requests from cotton trades that it impound its cotton holdings after the manner of the Farm Board's ill-fated venture into grain stabilization.

Tenant Farmer Aid

On the other side of the cotton problem, are the several millions of families in the South now more or less permanently without employment because landlords can grow their own cotton quota, have no room for tenants or share-croppers. Despite provisions in the benefit contracts that the cotton grower must continue to maintain the same number of tenants and employees as formerly, stark reality discloses that hordes of the poor-white and colored who previously depended upon small cotton patches are deprived of support.

Two proposals are before Congress to relieve this situation. One exempts producers of 2 bales or less cotton from the Bankhead Act, which puts an exorbitant tax upon extra quota ginning of contracting growers. The second is the Farm Tenant Homes Act of 1935, designed to enable share-croppers to acquire homesteads with the aid of 30- to 50-year government loans.



Commodity Research Bur

NATURE REPEATS—Dark spots show up on the farm map where fall and winter rains failed to break the grip of last summer's drought.

Harris & Ewing

"NO WHITEWASH"—But "no circuses," said Chairman Pat Harrison of the Senate Finance Committee (center) when the NRA inquiry was finally steered into his friendly hands. But hostile critics count most on Senator King (left), Borah's choice for the job. Senator Couzens will put Republican questions.

The NRA Muddle

Contradictory court decisions and the contradictory policies of the Federal Trade Commission confuse business, call for an early showdown on NRA.

CONFLICTING court decisions, uprisings against codes in several industries, and Federal Trade Commission moves diametrically opposed to the NRA program, have combined to create a state of utter confusion in the minds of business leaders on what to do about code compliance, on where to start and where to stop without leaving the door wide open for less conscientious competitors to walk away with the business.

The Weirton decision (*BW—Mar2'35*) hit NRA and labor a solar plexus blow from which only a reversal by the U. S. Supreme Court can bring relief. On the same day Judge Charles I. Dawson, in the Federal Court at Louisville, Ky., granted 35 coal mine operators an injunction against enforcement by the federal government of the code for the bituminous coal industry (*#23:BW—Sep23'33*). This week a Federal District Judge in New Orleans declared NIRA unconstitutional in the Hammond Box labor case.

Store Picketing Tangle

In New York, the Cotillo decision (*BW—Mar2'35*) clearly put retail stores outside the scope of closed shop unionism and specifically prohibited picketing, while a day or two later the Court of Appeals, in the year-old case of Wise Shoe Co., Inc., against the Retail Shoe Salesmen's Union, modified an injunction and permitted "peaceful picketing with sign or placard."

Despite the fact that recent compilations of net results in various NRA court battles quote a score of 134 to 22 in favor of the government, analysis shows that most of the 134 victories were won by consent decrees or pleas of guilty—and so do not bear the weight of a real judicial decision—that 18 cases included were dismissed. Of the 22 NRA defeats, 17 involved suits which were started by the government to 5 against it.

The lumber industry, from large producer down to retailer, is fighting practically with its back to the wall. It got off to a flying start with a code that was expected to work wonders, but actually proved impossible of enforcement without very active government cooperation. With suspension of the pricing provision in the lumber manufacturing code (Dec. 1, 1934) producers were deprived of the only direct means they had of offsetting the drastic wage increase necessary under the code, production control being a doubtful substitute for price stabilization. This uncertainty is expected to continue until the U. S. Supreme Court rules on the Belcher Lumber case in which the constitutionality of the whole NRA setup is under fire. Involved in that case—as in the Weirton case—is the fundamental issue of how the interstate commerce clause permits NRA to reach into the processes of manufacturing.

With elimination of the pricing provisions in the retail lumber code on Mar. 1, the entire lumber industry now finds itself in a chaotic situation. Large manufacturers, distributors, and retailers observe the code, pay full code wages, stick to code hours—and find themselves underbid everywhere by small operators who pay what wages they please and work their men as long as they want to.

Large vs. Small

More or less the same condition exists in practically every industry; large concerns feel duty-bound to observe their codes despite dwindling enforcement activities; smaller ones are taking every advantage of the uncertainty as to the future of codes and of NRA.

Meanwhile, business leaders see the whole NRA code system challenged by the Federal Trade Commission. Its opposition to the basing-point system was recorded in the famous Pittsburgh-plus case. Since the NRA code for the steel industry and others once more "legalized" the basing-point plan, the commission is expected to look for vindication of its original position by enlisting the aid of the Senate Finance Committee, which is now investigating the whole code and anti-trust law situation.

Two reports on the basing-point plan, prepared at the request of the President, are expected to hold the limelight for some time, once the probing gets going. The FTC report has been in the White House since Dec. 1, 1934. Before NRA's conflicting opinions and data were also submitted, peace conferences were called by high Administration officials. When neither side was willing to budge, the reports went to the President last week, as originally prepared.

Under FTC Attack

While the basing-point plan chiefly involves large industries, FTC is said to have no particular preference for big game, but, according to some observers, is out after any concern or group, large or small, that happens to act in variance with its convictions, albeit in compliance with approved NRA codes.

For instance, 22 members of the Linen Supply Association of the District of Columbia are charged by the commission with "a combination and conspiracy to prevent competition and increase prices to the public . . . ," specifically with agreeing not to solicit each other's customers or quote them lower prices. Yet the laundry code definitely prohibits interference with the contractual relations between a competitor and his customers, and selling below minimum prices, calls for the issuance of price lists. This attack has the laundrymen up in arms. The laundry code

has been poorly enforced in most territories. Those in the trade feel that attempts by any group to take advantage of its provisions should be commended rather than condemned.

Handbags to Sea Food

Similarly, the FTC has ordered the National Association of Ladies' Handbag Manufacturers and specifically 20 of its members to "cease and desist" from maintaining uniform prices. The Washington, D. C., Sea Food Dealers Association drew a similar order, but one also including a prohibition against "the printing or distribution of schedules of set minimum prices . . .," and the Southern New York Candy Distributors Association, which according to the FTC supplies "a large part of the confectionery trade of the United States," is under fire for doing various things that, according to some of its members, involved no more than the privileges which were granted to them in their code.

Critics point out that this series of Trade Commission cases attacks practically all the important trade practice phases of codes, on whose approval by NRA business management insisted as fair compensation for the shorter hours and higher wages that it was compelled to grant.

They argue that as long as the FTC, an important agency of the government, is obviously out of sympathy with the NRA system of codification, and many conflicting court decisions have left the NRA status definitely in doubt, business management will hesitate to undertake any broad program of development. They add that speedy clarification of the whole legal situation by the Supreme Court and prompt enactment of new NRA legislation are essential if benefits so far derived from the Industrial Recovery Act are to be saved and disintegration of the whole code structure prevented.

International News

BAPTISMAL CEREMONY—With Secretaries Farley and Morgenthau looking on, an important customer takes title to the first 6 baby bonds. The sextuplets cost him $112.50; Mr. Farley, whose 14,000 post offices are handling the sales, got the cash. If the President and his 5 grandchildren hold their bonds 10 years, the Treasury will redeem them for $150. Others besides Mr. Roosevelt think it "a good proposition"; New Yorkers invested $350,000 at the opening sale Mar. 1.

Union Pot-Boiler

Automobile strike vote called by the A. F. of L. looks like a sales promotion scheme.

A YEAR ago Detroit was in a hubbub as the American Federation of Labor presented a list of demands to various automobile companies, threatened to tie motor car production into a knot by means of a general strike if its demands were not granted. Today there is only a ripple of excitement in the capital of motordom as a result of the strike vote which the United Automobile Workers' national council (A. F. of L.) has ordered in 176 local unions.

Coming on top of President Green's statement in Detroit that the federation has no plans for a strike, the union action isn't so hard to figure out as appears at first blush. Union membership is "kept hot" only when an evangelistic fervor is stirred up and workers are impetuously moved to hit the A. F. of L.'s sawdust trail. Car manufacturers dub the strike-vote plan a "sales promotion scheme," since it will serve to keep the union pot boiling.

While union leaders are doing a lot of talking about a strike being the only weapon left them in the fight for automobile workers' rights to bargain collectively with management, they have been careful to guard against any local union going off "hog wild." A strike call in any local union must have the support of 75% of the paid-up members casting secret ballots; even if a strike is voted, no local has the right to order a walkout without authorization from Green's office in Washington. Thus, pretty tight lines have been thrown around each local union to see that it doesn't do anything foolish.

Green, acting on resolutions passed at mass meetings which he addressed in automotive cities last month, has formally requested a conference with President Sloan of General Motors. The strike vote obviously is designed as a club to be brandished in case GM doesn't choose to meet with Green. The industry suspects that the club, heavy as the A. F. of L. would like it to look, is made of papier maché. The plant elections being held by the Automobile Labor Board have shown, say automotive executives, that the federation is only a lamb which has been roaring like a lion.

Grocery Guild

Kroger's "mother store" plan adds new kink to chain merchandising in the food field.

INDEPENDENT grocers and meat merchants are about to witness a new type of territorial invasion of their territory, and again it's a corporate chain that is backing the effort.

The plan bears the label of the Kroger Grocery & Baking Co., which, with 4,366 retail stores, is the country's second largest food chain. Its official sponsor is Piggly Wiggly Corp., a Kroger subsidiary (*BW—Nov24'34*). Its legal title is "Grocery Guild of America."

Stripped of all the decorative verbiage in the announcement, the Grocery Guild of America is actually a voluntary chain sponsored by a corporate chain, and that's something new. There are many innovations included in the effort.

Ordinarily, promoters of voluntary chains merely offer independent merchants some price advantages from mass buying plus certain sales and advertising cooperation supplied from headquarters and applied through traveling representatives (*BW—May18'32; Apr 19'33*).

The Grocery Guild, however, comes right into town and competes with its prospective members by establishing a de luxe retail food emporium as "mother" store. This, because of location, size, highly modern equipment, and services rendered, is expected to do

a large enough volume of retail business to support all the advertising and promotional activities necessary to create business for the independent grocers that are operating stores in the same town as members of the local "chapter" of the Guild. The "mother" store also sponsors such buying and warehousing activities as are needed to give chapter members the benefit of mass buying. Wherever Piggly Wiggly stores are operating in the same area, these are permitted automatically to take advantage of Guild services.

First "Mother" in Iowa

The first Guild "mother" store is located in Cedar Rapids, Ia., where the 1933 census counted 274 food stores with a sales volume of $3,888,000. Davenport, Ia., is next on the list and it had 245 stores with $4,296,000 of sales. Kroger and Piggly Wiggly officials are enthusiastic over the prospects of the Guild plan, have visions of 500 to 1,000 "mother" stores and 10,000 to 20,000 Guild members.

Those familiar with the field say that the plan can work only in very large cities. They point out that the overhead imposed upon the mother store under the Guild plan will require a retail sales volume equal to, or better than, that of the average super-market, which means $300,000 or more, and argue that in smaller towns few independents would be willing to be party to a scheme that takes such large slices of their potential sales volume at one clip.

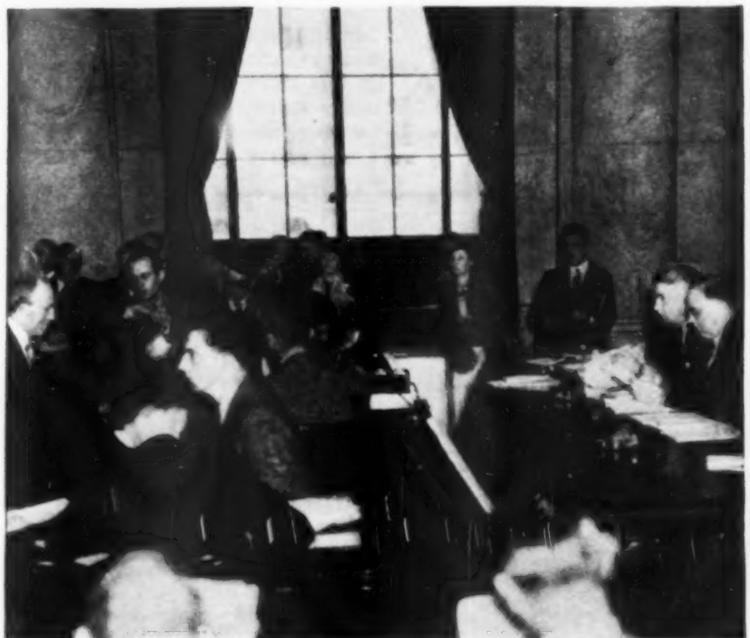
Food and Drug Harmony

First session of hearings on Copeland Bill indicates that the Administration and industry are getting closer together on the ultimate compromise.

GENERAL amity prevailed at last Saturday's hearings on the third revised draft of the 1935 edition of Senator Copeland's food and drug bill, and this circumstance indicated that the Senator, the Administration, and the major industry representatives had done their work well in the many private conferences which preceded the hearing, that the ultimate compromise measure was now about ready for the post.

Naturally, there were occasional discordant notes—such as the testimony offered on the one hand by W. P. Jacobs and Clinton Robb, representing the medicine interests, and on the other by Arthur Kallet of Consumers' Research, who concluded his lengthy indictment by accusing the presiding Senator, Bennett Clark, of being "an American Hitler"—but when such unscheduled interruptions occurred industry representatives were ready to support the Administration in squelching them.

Thus, for example, the staunchest defender of Copeland's provision for the control of advertising by the Department of Agriculture rather than by the Federal Trade Commission was not Walter G. Campbell, chief of Food and Drug Administration, but Charles Wesley Dunn, counsel for the Associated Grocery Manufacturers of America, who argued the necessity of criminal prosecution in the case of false advertising. Again, C. C. Parlin of Curtis Publishing Co., representing periodical publishers, and A. T. Falk of the Advertising Federation of America voiced their outright approval of the bill just as it stood, and other witnesses who sought minor alterations expressed general approval.



Wide World

RAPPROCHEMENT—Although on opposite sides of the table, Charles Wesley Dunn of the Associated Grocery Manufacturers of America in the witness chair at the extreme left and Senator Copeland, second from the extreme right, sitting with Senator Clark, demonstrated at last week's hearings on the Food and Drug Bill that they were both pretty much on the same side of the fence—both ready to rush S. 5 through committee—and Congress if possible—substantially "as is."

Accept Seizure Changes

These favors the Administration returned in kind. When Mr. Dunn asked that multiple seizures be hedged a bit more, that provisions be added requiring that one such seizure be made in the producer's own court district or its nearest neighbor and that the manufacturer have the right to name the place of trial, the Administration agreeably assented to these amendments. Other significant alterations which Mr. Dunn asked and which are likely to find their way into the final committee bill are:

(1) That the Secretary grant hearings before reporting violations for criminal prosecution.

(2) That the Secretary be given discretionary power to lift the requirement that all active ingredients be stated on a label when this is "impracticable."

(3) That manufacturers charged with adulteration be furnished a report of the test analysis used and the tolerances allowed before court trial.

(4) That the power of the courts to prohibit the sale of all products from a plant barring department inspectors be limited to the product under suspicion.

(5) That secret processes and formulas be revealed only on court order.

(6) That the entire "factory inspection" section be rewritten to base it on the commerce clause of the Constitution, affecting only interstate commerce, rather than on public welfare.

Verboten List

One other notable change which Senator Copeland agreed to and which the Administration is sure to fight was suggested by Lee Bristol of Bristol-Myers, who asked for the outright deletion of the power to expand the list of diseases for which the advertising of curative claims would be forbidden. The *verboten* list at present includes only cancer, tuberculosis, venereal diseases, and heart and vascular diseases. The original Tugwell bill listed some 39 diseases.

The harmony which characterized last

week's session was scheduled for some noisy disruption when Senators Clark, Gibson (who replaces McNary), and Copeland (who sits in as a substitute for Mrs. Caraway) reconvened the hearings of the Commerce subcommittee on Friday, Mar. 8, to listen to the rabid complaints of the Proprietary Association, which has not yet had its inning; some 35 witnesses were yet to be heard. Although the proprietary interests were expected to make a strong fight for the control of advertising by the FTC and for the Mead bill as a whole (*BW—Jan19'35*), it was not anticipated that the Commerce Committee's reporting of S-5 to the Senate would be held up by any such major operations. However, the Proprietary Association has pulled some unexpected stunts before—it engineered the hearings—and it may well repeat, either while the bill is still in committee or when it reaches the floor of either house.

New Prefabricated Home

Haskelite's house of special laminated wood accepts any design, seeks to help local architects.

ALL this talk about boosting home building attracts the attention of manufacturers who seek to overcome the objection of engineers that more of the house should be built (scientifically) in factories, less of it built (wastefully) by piece work on the lot. Recent entrant in the prefabricated field is Haskelite Mfg. Corp., Chicago. It has perfected a system using standardized panels of its Phemaloid Compound Lumber, joined by a new process to thin steel beams and angles.

In preparing his system, George R. Meyercord, president of Haskelite, has given competitors something to chew over. He enlists support of the architect, instead of his opposition. The plan can call for a peaked roof, a mansard, a flat roof, or whatever. Mr. Meyercord does not give a cuss as long as his panels and shapes are used. He meets the demand for economy by offering materials for almost any house in units that are 85% standardized.

Phemaloid Compound Lumber is nothing new, having long been used in steamers, refrigerator cars, boats, buses, etc. Its market is merely extended to the housing field. The panels are of wood cross-laminated for strength and bound together with a special synthetic resin of the phenol-formaldehyde group. Applied under intense heat and great pressure, the synthetic resin melts, mingles with the natural resins, becomes a homogeneous substance stronger than mere planks. It resists mold, fungi, even vermin, since the compound is poisonous. Panels are 36 in. wide and full story high, except where windows and doors occur.

Unique nature of the panels makes possible a unique joint. Each panel is grooved to receive the flanges of light steel I-beams, channel sills and cap sections. Joints are drawn tight and secured by nails driven through the wood, through the thin steel (a patented feature) and into the wood again. Nails penetrate the cold steel because it is held drum tight. Outside joints are sealed with a mastic applied on the panel's edge at the factory. The 2 panels make an outside wall 6 inches thick. Panels are shipped in Hairfelt which is nailed in corrugations within the wall space for insulation; but other insulating may be used. The open between-space simplifies wiring and plumbing. Bathroom and kitchen panels, etc., come with pipes attached.

Can Be Painted

Special facing or just paint can be applied outside. Roof panels come with roofing materials affixed. Interior finish of rare wood veneers is available at low cost. Veneers applied to floor panels (which join with heavier steel I-beams) come in either board or square designs. The steel industry is invited to observe that 3½ tons of steel are used in a 5-room Phemaloid house, or 7 times as much as in the average automobile.

It is claimed that any workman familiar with tools can erect one of these houses without previous training, that a comparison with specifications for a catalogue wood residence of the better grade will indicate that the Phemaloid house could have been built for 25% less.

A sample house has been shown in Cleveland, is now being inspected in New York. It will be erected later in Chicago and may move to Washington.

Business Week

$3-MILLION SOVIET ORDER—George T. Ladd, board chairman, United Engineering & Foundry Co. of Pittsburgh, and I. V. Boyev, board chairman of Amtorg (seated left to right), sign contracts for the Soviets' largest steel mill while other officials of the 2 organizations look on. The plant at Zaporojstal, U.S.R.R., will be similar to one which United is now completing for the Ford Motor Co.

Fox Loses

U. S. Supreme Court goes into reverse to hold invalid 2 patents vital to motion picture industry.

THE motion picture industry feels like the heroine of melodrama at the moment when the handsome hero dashes in to save her from the buzz-saw which has begun to agitate her blonde curls. In this case the handsome hero is the U. S. Supreme Court. On Monday it declared invalid 2 vital patents claimed by William Fox. That wily gentleman loses after previous decisions (*BW—Oct*

Wide World

LIQUIDITY FOR GAS AND OIL—New York's Commodity Exchange this week inaugurated futures trading in crude oil and gasoline, the first contract market for the petroleum industry. Activity in the several other rings of the Exchange was suspended while brokers and officials celebrated the occasion.

20'34) gave him hopes of collecting damages running into figures fantastic even for our most fantastic industry.

Involved were the famous Tri-Ergon patents. One was necessary to picture showing and claimed to cover the projector flywheel which insured smooth emission of sound; the other was necessary to production and claimed to cover the double-printing process by which simultaneous printings of sound and picture negative were combined on a master film to achieve perfect synchronization.

In October the U. S. Supreme Court refused to review lower court decisions which declared the Fox patents valid. Ordinarily such a decision is final and Mr. Fox began cheerily his damage proceedings. But the stakes were too large for his powerful opponents to pay without exhausting every counter-possibility. A month after its refusal of a review, the Supreme Court went into reverse and consented to reopen the case on representations of new evidence. The recent Fox defeat rests on decision that his patents were not new discoveries but merely incorporated principles already well known in the industry.

Copper Control

World producers assemble to consider production control, sales quotas, and surplus American stocks.

THE men who control the world's copper destiny are in New York. Europeans joined Americans Mar. 7, and they promise to reach a decision on a plan to regulate both production and marketing of copper. Their aim is to stabilize prices at profitable levels.

Major producers represented at the meeting have headquarters in Britain, Belgium, Canada, and the United States.

British holdings are primarily the great mines in Northern Rhodesia (Roan Antelope, Rhokana), Africa. Though comparatively new, these mines are being developed rapidly, turn out vast quantities of copper at very low cost, can show an operating profit even at present low prices.

Belgian holdings (Katanga) also are in Africa. They were the thorn in the side of high-cost producers until the Rhodesian properties were developed.

Canada's output is almost entirely a byproduct of nickel and gold mining, copper being present in both ores in large quantities. Production on a byproduct basis is very inexpensive, cannot be curbed without interfering with the production of nickel and gold, both of which are selling at attractive prices.

American domestic production is involved only to the extent to which surplus stocks might be exported if foreign prices become sufficiently attractive. Real American interest is the Chilean mines of Kennecott and Anaconda, both tremendous producers. Since the United States import tax on copper was initiated 3 years ago, practically all this metal has been forced onto the competitive world markets, though a part of it is still refined here (in bond).

3 Major Problems

Of the almost numberless problems which have prevented agreement on a scheme for copper price stabilization during a year of negotiations, it is believed that the present meeting will narrow its considerations to three: (1) establishment of capacity ratings for the various producing regions so that quotas can be allotted; (2) allocation of markets, possibly through the creation of a marketing organization; and (3) agreement by Americans to curtail exports of the domestic surplus even if the world price is lifted sufficiently to make sales abroad profitable.

The general situation in the copper world makes it clear why these are major problems.

In the first half of 1934, there was a boom in copper consumption in several countries, including especially Germany. In this case, as in many others, the jump in consumption was attributed to a sudden stepping up of armament manufacture. In Britain, this was supplemented by steady expansion of industrial activity and a trend toward greater electrification. Producers immediately took their cue and pushed mining operations. World production outside the United States totaled about 82,000 tons in the first quarter of last year, jumped to 105,000 tons in the last quarter. But consumption declined during the second half of the year. Informed interests know that there is likely to be no marked improvement this year, because large manufacturing interests have replenished their stocks, are ready for any emergency.

Because of the premium on gold, and because of the vastly expanded industrial demand for nickel, Canadian gold and nickel mines are operating at record levels. Canadian byproduct copper production last year approached 183,000 tons, an all-time high. Producers in other parts of the world, aware that this cannot be curbed, are ready to control its arrival on the market.

Code Control Here

Stocks of copper in the United States —domestically produced—probably exceed 400,000 tons, which is just about a year's consumption at present rates. Output is already under code control, and operations scarcely exceed 20% of capacity. With the domestic market protected by a 4¢ tax, the domestic price is stable at 9¢, delivered. And because domestic production costs are relatively

NEW FEATURES

NEW LOAD DISTRIBUTION for better braking and more uniform tire and brake wear. . . . NEW DRIVER COMFORT, driver's compartment completely lined, triple ventilation system, instruments grouped directly in front of driver. . . . NEW QUICK-STOPPING, RIB-COOLED BRAKES, longer life between adjustments, will not "bell-mouth" or "fade." . . . NEW CLUTCH, lower pedal pressure at idling speed, plate pressure increases by centrifugal force as engine speed increases, minimizing slippage. . . . NEW CRANKCASE VENTILATION reduces corrosion and oil dilution. . . . NEW COOLING EFFICIENCY, larger radiator, larger water pump impellers. . . . NEW DEEP-SKIRTED FENDERS in colors that match the hood and cab.

THERE'S only ONE way to find out whether a truck will do the job you expect of it. That's by testing it with your own loads, over your own routes, with your own driver at the wheel. That way, you find out EXACTLY what each truck will do under your own individual operating conditions.

Ford extends an invitation to ALL truck operators . . . whether they own one truck or one thousand trucks . . . to make this test without cost or obligation. Ford has such complete confidence in V-8 Performance and V-8 Economy that Ford dealers are ready and willing to place a 1935 Ford V-8 Double-duty Truck at the disposal of any responsible truck operator who is in the market for a new truck.

Ask your Ford dealer to arrange an "on-the-job" test for you. Borrow his demonstrator truck. Use it in place of one of your present units . . . and keep track of your costs. Let the results be your proof of V-8 Economy. At the same time watch V-8 Performance. Make your own tests of V-8 speed, power and acceleration. Consider the Ford Low-cost Engine Exchange Plan and other exclusive exchange privileges that assure drastic savings in maintenance costs. See how this new truck gives you ALL the features needed for BOTH hauling and delivery service.

Then look at the price! You will be convinced once and for all that the 1935 Ford V-8 Truck is AMERICA'S GREAT TRUCK VALUE!

THE 1935 FORD V·8 TRUCK — $500 FOR 131½-INCH CHASSIS F.O.B. DETROIT

high, there is small possibility that the present surplus stocks will be dumped on a world market where they could sell for little more than 6½¢. But if an international marketing scheme succeeds in lifting the world price, the fear abroad is that the Americans would begin to dispose of part of their surplus.

A new warning was sounded recently when the Tin Pool ran into difficulties following its more or less successful attempt to boost prices (*BW—Mar2'35*). Both Germany and Japan are large users of copper, without having any significant internal source of supply. If the world price rises sharply, both these nations will resort to minute recovery of copper from scrap, and to substitution of other metals for copper. Japan has increased buying at present low prices besides making extensive purchases of scrap for reclamation. Germany is compelling domestic industry to use aluminum instead of copper in many products. Wise minds in the business know it is easy to carry the price program too far.

Contest Craze

Prize offers flood the press and air as big advertisers vie in satisfying the public appetite for contests.

THE postmaster in the Clearing branch of the Chicago Post Office is feeling pretty happy about life. He may get a raise, thanks to the Pepsodent Co., which has given his station a chance to set a large-volume efficiency record. Out at its plant in Clearing, Ill., several hundred employees worked night and day last month to acknowledge the flood of entries in Pepsodent's first big prize contest. Just how big that flood has been, Pepsodent—like every other contest sponsor—considers its own private business; best estimates range in the neighborhood of 2 million participants.

Whatever the exact number, certain it is that the Pepsodent contest was a whale of a success. From Jan. 18 to Feb. 1, Amos 'n' Andy plugged it steadily, offered to send a colored map of their mythical Weber City to every listener who sent in a Pepsodent toothpaste container (or a facsimile) together with a 50-word explanation of why he liked the product; $75,000 expended in advertising in 60 newspapers supplemented the radio drive. So great was the demand of those who hoped to win a part of the $30,000 prize money that Pepsodent had to rush a supply of toothpaste to Louisiana druggists by United Air Lines, a carload out to the Coast on the crack California Limited. All of which made good publicity.

Public Is Contest-Conscious

There isn't any rational explanation for the present rash of contests which got well under way last summer and which has been mounting in intensity all fall and winter. Advertising men, who act first and analyze afterward, point to the rising interest in foreign lotteries as a symptom of the public's craving for contests. Maybe it's all part of the post-depression psychology; maybe the new leisure has something to do with it. Analyses aren't important. To advertisers all that matters is that the public *is* contest-conscious. Which means that a contest has more than a fair chance of clicking, and when a contest clicks it is one of the best and cheapest forms of advertising.

But it has to click. That serves to explain the high premium placed upon dramatic novelty, particularly at present. Rarely has human ingenuity run at so high a tide. Not only do contests today embrace every conceivable game of skill (the Post Office Department insists on the skill factor; theoretically, games of chance are forbidden), but advertisers are seeking to attract attention by new and unusual awards. One of the most successful of recent contests—that for Camay soap last fall—offered the winner a prize of a thousand dollars a year for life.

Currently, the Kroger chain grocery stores and the Selby Shoe Co. are featuring variations on this theme. Kroger's (which has substituted a "Why I Like Hot-Dated Coffee" contest for one which it announced on its Country Club bread, because the baker's code is one of 5 which bans prize competitions) is offering free food for an average-size family for 5 years and some 1,400 other prizes; second prize in the Selby contest is 6 pairs of shoes a year for life. And in the category of novel awards must be classed the $12,000 in permanent waves offered by Associated Beauty Products of Minneapolis.

Sheer munificence in itself often adds the necessary dramatic touch. Seminole toilet tissue is reaching for a radio record with its current offer of $56,000 in prizes, though the Eastman award of $100,000 in camera equipment is still tops. Seminole, however, makes a nice point in emphasizing that it isn't offering prizes of its own manufacture, that its $56,000 is invested in such substantial prizes as Hupmobile motor cars and Stewart-Warner radios. (Incidentally, the Hupmobile-Seminole tie-up has led to Hupp's offer of $5 to every grocer who furnishes the lead to a Hupp buyer.)

Push Dealer Participation

Although each contest is a law unto itself—rule-of-thumb methods just don't apply in contest management—the Seminole competition is typical of many others in its emphasis on dealer participation. Like Pepsodent and Camay, it offers a full list of duplicate prizes for dealers who induce winning contestants to enter. Pepsodent even went a step further, offered a third set of prizes to

Business Week

AFTER—AND BEFORE—Industrial design has a cash value, as Cutler-Hammer, Inc., has discovered. This electric switch not only had its face lifted and parts rearranged; it was reduced one-third in size, made easier to install and safer to operate. With no price change, sales have responded so well Cutler-Hammer's budget now makes a big appropriation for product modernization.

drug store clerks. Theory behind this move is that it dramatizes to the dealer the extra merchandising effort which the company is making, gives extra impetus to the contest itself, induces dealers to stock the product and push it even after the contest ends—the critical time, incidentally, for all contest sponsors, since contests have unexpected backfires.

Keep Contestants Happy

Nowadays, to circumvent such unhappy experiences, most sponsors (1) offer a greater number of smaller prizes, (2) make every contestant a winner of something, and (3) send some graceful "thank you" note to the unsuccessful participants for the bigger prizes. And if the subscribers to *The Contest World*—a magazine which does a thriving business in keeping America's contest bugs informed about all existing opportunities—have their way, more advertisers will include in those notes not only a list of the big winners but a record of their winning contributions.

Aside from the ever-popular "Why I Like Zilch's Sudsy Soap" or "Ten Best Uses for Fanny's Fluffy Flour," there are a dozen other standard contest themes. There is, for example, the "product name" contest, such as that sponsored by the Sperry Flour Co. which recently was seeking a new name for its cereal product, "Wheat Hearts." Variations on this theme are now being sponsored by Colgate's, which seeks a name for its radio program, and Gold Medal flour which offers $15,000 in its "Radio's Nameless Mystery Baby" competition. Then there are contests which stem from the true experience competitions regularly sponsored by the heart-throb pulp publications. Lifebuoy's offer of $25 each for true B.O. experiences falls in this category.

Ad Writing Popular

Still another type of popular contest centers around the writing of advertisements and product slogans. Burma-Shave, whose offer of fur coats as prizes has been severely criticized in the South, conducts a competition every winter to select its roadside jingles. Gillette recently went a step further, offered 100 razor blades every day for radio skits for its "Blue Streak Drama" program.

Many an advertiser still clings to the belief that a successful competition has to have elements of a game in it. Hence the continued popularity of such old favorites as the figure-path, crossword, and identification puzzles, limericks, photograph, word-building, and "what's wrong with this picture?" competitions, and—more recently—guessing football scores. Biggest contest users are still the newspapers and magazines, and the remarkable success of the New York *Post's* 3 big circulation drives offering a total of $35,000 in prize money has engendered a new contest warfare of sizable proportions in publishing circles.

Underwood & Underwood

BANKING CLASS—Chairman Henry B. Steagall of the House Banking and Currency Committee gets some after-school advice on guaranteed deposits from FDIC Chairman Leo T. Crowley (center) and FDIC Counsel L. E. Birdzell (right) following a day's hearings on the new bank bill. Currency Comptroller J. F. T. O'Connor awaits his turn to talk on national bank control under the bill.

Florida Comeback (Not "Boom")

A record tourist season helps Floridians to forget a record frost. And there's even some real estate selling —not just option jobbing.

MORE clement business conditions produced a grand crop of Florida tourists this season, but inclement weather in some sections temporarily devastated fruit groves and truck gardens. There are no gradations in this contrast. Florida is closing "the greatest winter season in its history." And the December freeze was, in some sections, the worst in 30 years. Even lower temperatures at the end of February chattered the teeth of visitors and furrowed the brows of agriculturists.

The 1933-1934 tourist season had been good as to numbers but the customers squeezed their nickels hard. This year the invasion was greater and money was more freely spent. Blessings center on Miami. Some $9 millions were spent here for new building in 1934, and there are indications that 1935 may be even better. In nearby Miami Beach, 280 new homes averaging $15,000 were built last year, practically all for owner occupancy.

Strain on Miami's hospitality equipment (population is 130,000, transients were 100,000) led to a lively speculation in apartment leases this winter. Pyramiding was profitable, the surplus of visitors producing tenants willing to pay stiff prices. However, many went elsewhere nursing grouches. Long-range boosters realize that such folk become apostles of ill will and are not happy about it.

When you say "boom" to a Floridian you had better smile. Florida went through the wringer some 9 years back at the end of the real-estate spree, was ready for real prosperity when depression flattened the rest of the country. Tourist crowds are, at last, coming back. Present real estate activity is mostly in actual sales, not in option jobbing. Many of the rococo towns built on realtors' dreams remain pictures of despair. Here and there, sand is being shoveled from long-buried sidewalks, light standards are being painted and re-lamped. In the southern end of the state there are whispers that another land boom threatens. So far, few of the hard-riding salesmen of the Carl Fisher era have returned. Northerners are quietly buying developed agricultural lands. Some admit they are hedging against inflation.

Most of the state is in a fairly flush condition. Florida Power & Light Co. (serving much of the state) reports a 35% increase in volume of energy produced during January and February over the previous year. (Averages for the entire state are less.) Florida Motor Lines, operating between principal cities, gained nearly 100% during 1934, continued through February with a further remarkable pick-up. Rail traffic, gasoline consumption, life insurance written, other important indices tell of comparable improvement.

A Recovery Problem

Such news creates its own problems. Example: A mechanic in a hard-up Mid-Western town loads his family into a wheezing Ford, borrows enough money barely to make the trip, heads for Miami which he hears is booming. Arrived, he discovers that too many others have done the same thing, there are no available jobs. Another family goes on relief.

While money left by tourists makes a comforting bulge in Florida's business outline, there are plenty of worries in the agricultural outlook. Damage of the frosts has not been completely tabulated, but preliminary surveys indicate disastrous conditions in certain localities. Some declare that much damage might have been averted had not fruit growers gained a false sense of security from 20 years without a real frost. Most of them neglected to set smudge fires even after weather reports warned of the approaching danger. Vegetables were destroyed, many fruit trees were killed or so badly nipped that they can't bear for years. A large part of this year's orange crop is ruined. Much of the rest is off quality.

On Feb. 1 the Department of Agriculture estimated Florida's orange crop at 13½ million boxes, 25% below 1933 and 9% under the 5-year average. This was before the second freeze, the effects of which are yet to be determined. Citrus trees were in bloom then and may have suffered worse than in December. Truck growers who lost their second crop will in many cases have a hard time financing a third one. Citrus growers (especially those of competing California) can console themselves with the hope that the remaining crop will bring better prices, that chance of overproduction is largely eliminated.

The Biggest Crop

Business men of Florida console themselves with an ancient dictum: "Weather can't kill the tourist crop."

Florida's winter climate is unrivalled on the Atlantic seaboard. Easy access from great population centers of the East and Mid-West give it a geographical edge that even a Californian must admit. Tourists and non-productive residents are likely to continue as the bulk of business support. In 1934 all

crops brought in about $92 millions. This season's tourists spent an estimated $500 millions.

Forgetting the ballyhoo, certain factors are working to stabilize the highly seasonal tourist trade. One is a remarkable growth in summer travel. Percentage of gain here is greater than for the winter season. One big carrier handled almost as many passengers last July and August as in December and January. Cruise ships come more and more to Miami. This year for the first time a British cruise touched there. More are to follow. Munson Line and Panama Pacific are making it a regular cruise stop. This is all-year business.

Another equalizer is the growing purchases of homes for occupancy. Many northerners are picking up real estate bargains while the picking is good. Palace building is out. The market is for a home and a plot of land. Mostly buyers are middle-aged people who have retired on sufficient means. In the thousands of these, Florida is spreading her future risks.

Stoking Up Sales

Mechanical fuel feeders breast the tide of oil. New products and modernization help.

WHEN unit sales jump 44% in one year to reach a new all-time high, and earnings of leading producers increase as much or more, the depression is over. At least so thinks the stoker industry, particularly makers of mechanically-operated fuel feeders. For 1935, it counts on 50% improvement over 1934.

Last year, some 83 manufacturers, comprising nearly the whole industry, sold 21,253 units compared with 14,810 in 1933. The bulk of these, 78% to be exact, were small machines with hourly capacities of 100 lb. of feed coal or less, commonly known as the domestic or household size. Sales of these residential units alone were 49% greater than in 1933, indicating that soft and hard coal is still giving oil burners some competition. The Iron Fireman Manufacturing Co., one of the largest manufacturers of small stokers, increased its unit volume 21% in 1933 compared with 1932, and 54% in 1934 compared with 1933, thus setting a new record. This achievement is laid to the introduction of a new unit in 1931, another example of how new products have turned the tide of business. Profits last year jumped 58%.

Apartment houses and small commercial heating plants bought 73% more automatic stokers than in 1933, probably another sidelight on modernization, while large commercial and high-pressure steam plants, next most important to the residential market, purchased 22% additional equipment.

Dog Food Fight

Tales of fabulous profits drew new companies into the dog food business; competitive abuses are now being attacked.

EFFORTS of the National Dog Food Manufacturers Association and the code authority to clean up the industry are of no interest to Towser, waggish mongrel who thrives on scraps from the farmer's table. But to Princess Ming Toy, snooty urban Pekinese, the drive is of vital import. Her Highness lives on a diet of packaged food. In recent years, tales of fabulous profits drew dozens of new firms into the canned dog food business. Result was the inevitable sequence—overproduction, price cutting, lowering of standards, threatened chaos, concerted rescue moves.

The industry organizations with the cooperation of publishers are hounding advertisers who indulge in inaccurate claims. Common sins are disparagement of rivals, misleading statements. There has been much growling against the use of the words, "Fit for human consumption." This does not mean that the food is sold for human beings but that it is good enough for them—an argument that goes far with owners who coddle pooches as if they were babies.

While the business is not necessarily going to the dogs, newcomers are warned to be very careful about entering it. Establishment and maintenance of honest standards and labels would entrench firms already in the field; wage increases due to the code will make price-cutting more hazardous.

$40 Millions Business

Before the code era, large profits and fantastic claims drew new capital into the business. There were plenty of horse carcasses and packing house discards to be had. An enterprising canner with $5,000 might build to a gross $300,000 with a net profit running to 20%. Estimates for the industry were grabbed out of the air, ran as high as $130 millions annually. A survey by *Food Industries* magazine spiked such wild claims. It placed dollar volume for 1933 at $40 millions. However, potential market for the 11 million "consumer dogs" (those fed on prepared foods) is said to be 4 times as great. Saturation for 1933 would have been 3,640 million lb. instead of the actual sale of about 850 million lb.

Since the industry got its start 10 years ago, 200 firms have entered the business. Of these 125 are makers or distributors of canned food with sales of $25 millions. The other $15 millions represent sales by manufacturers and distributors of dry foods. This branch of the business, founded in England in 1894, enjoys more stability, is not subject to as much complaint.

Wide Reading

Propaganda From the Right. Samuel Grafton. *American Mercury*, March. The United States Chamber of Commerce, the National Industrial Conference Board, the National Association of Manufacturers, and the Chamber of Commerce of the State of New York are accused of being a "Big Four" of "Big Business," pretending to cooperate with the Administration but actually fighting it.

Power and the New Deal. Arthur E. Morgan and Elon Huntington Hooker. *Forum*, March. Opposing viewpoints on that controversial question—TVA, and the government in the power industry.

Basic Facts About the Bus Industry. *Bus Transportation*, February. Annual review of the bus industry, with forecast for 1935.

REPORTS—SURVEYS

1935 World Motor Census. The American Automobile (Overseas Edition), New York, 28 pp., with world automobile map. Complete analysis of 1934 exports in all automotive lines to all parts of the world from United States and Canada.

The Japan Year Book, 1934. Foreign Affairs Association of Japan, 1,356 pp., $5. Distributed in U. S. by World Peace Foundation, New York. Complete handbook of Japan and the Empire, including statistical information in most lines through 1932, for major divisions through 1933.

Handbook of Industrial Fabrics. Wellington Sears Co., New York, 538 pp. Complimentary to industrial organizations using industrial fabrics. Types of cotton available for industrial use; how fabrics are already utilized; problems and their solution.

Trading With Germany Under the New Plan. Board of Trade for German-American Commerce, New York, 8 pp., 50¢. Germany's new foreign trade regulations explained briefly; how to transact business with Germany; how to use blocked marks; where to get information on German foreign trade.

Selected Trade Associations of the United States. C. Judkins and L. Maceron. Bureau of Foreign and Domestic Commerce, Washington, 74 pp., 10¢. List of approximately 2,500 trade associations arranged alphabetically with addresses. Effect of NRA on associations discussed, activities outlined.

Twelve and One-Half Million Registered for Work, 1934. U. S. Employment Service. Government Printing Office, 98 pp. Data collected by existing state employment offices, analyzed, and summarized.

BOOKS

Problems in Industrial Purchasing. Howard T. Lewis. McGraw-Hill, 498 pp., $5. How a wide variety of concerns, individually named and analyzed, improved their purchasing procedures with respect to quality, quantity, price, and stability of supply.

Inflation Ahead! W. M. Kiplinger and Frederick Shelton. Simon & Schuster, 42 pp., $1. Long range influences for inflation are more important than any current factors; inflation will begin in earnest before the end of 1935, will bring a spectacular boom by 1937. "What to do" about inflation—personally, and in your business.

Clearing the Tracks

Disappointed in their hopes of finding other ways out, the railroads set about reorganizing on their own.

Railroaders set 1935 down on their calendar as a year of renascence for their industry. An upward slant to traffic, a sympathetic Washington Administration, a liberal RFC inclined to see them through until reorganizations could be drafted against a more favorable operating background—all these factors combined to brighten the year's prospects. On their own initiative, rail managements had launched an equipment modernization program that seemed to catch public favor and point the way toward recovery of business lost to new competitors over the previous decade.

Today the picture has changed. Plans for the regulation of competitors, pooling of railroad resources for economy, and the easing of reorganization under Section 77 of the Bankruptcy Act are making dishearteningly little progress through a Congress whose agenda is snarled with more popular issues.

RFC aid appears now to be definitely limited to solvent carriers. For the weaker roads it will be a helpful creditor but one which insists that the debtor put his house in order and arrange to start paying up instead of expecting indefinite extensions, new accommodations.

With this turn of events, the feeble recovery of gross revenues is proving sadly inadequate to cover mounting costs. So far, ICC has given no word on the carriers' request for rate increases. Savings on labor costs seem hopeless.

Time for Action

Largely discounting any prospects of special consideration from Washington, therefore, the railroads have decided to go about the long-delayed problem of reorganization along lines that meet their own individual situations. Roughly $1.5 billions of railroad securities are in default. Over the last 3 years far less than half the total mileage has earned its fixed charges. Freight traffic is running about 58% of the 1926 peak volume. Dividends have practically disappeared. January's gross revenue gain of 2.5% over 1934 was translated by mounting costs into a 25% loss in net.

Hence to the 14 Class I railroads that have gone into receivership or into the hands of the courts for reorganization under Section 77 since 1933, 1 more was definitely added last week and 2 more headed in the same direction, first attempting voluntary reorganization.

Chicago Great Western directly petitioned the court to take over its affairs, pleading inability to meet $710,880 interest due Mar. 1, hoping to rush through a reorganization in 4 months that would scale fixed charges or convert them to contingencies dependent upon earnings. Great Western makes the fourth Chicago road to take this course, having been preceded by the Rock Island, Chicago & Eastern Illinois, the Monon.

Denver & Rio Grande left the way open for any creditor to petition it into court by passing the Mar. 2 grace date on interest charges deferred Jan. 2. It has been working on reorganization plans with RFC supervision, hopes to have a program ready for consideration by Mar. 21.

One of Rio Grande's parent roads, Western Pacific, likewise deferred interest payments Mar. 1, but still hopes to perfect its plan of debt settlement within the 90 days' grace period allowed it.

MOP May Be First Out

The other parent road, Missouri Pacific, has been in the hands of the court since July, 1933, may be one of the first to come out if present plans meet RFC, court, and security-holders' approval.

But while the weaker lines were following this course and suggesting the same direction to some 9 others confronted with unbearable debts or steady losses, 2 of the stronger ones aggressively took the opposite tack.

New York Central made a declaration of financial independence, contingent upon cooperation of RFC, by filing with ICC a program of debt service and retirement that would lop $256 millions off its obligations between now and 1950, cut interest charges for the period $85 millions, and provide for every maturity except those on RFC and Railroad Credit Corp. loans falling this year. For these, extensions are sought.

Baltimore & Ohio boldly approached ICC and RFC to test out the declared intention of the latter to accommodate solvent lines that can provide adequate security. It is requesting a 5-year extension of a $7-million RFC loan maturing this year and a further loan of $5 millions to meet equipment certificates falling due. Petition for B.&O.'s loan stated the road would make a profit in 1935 and cited the $77 millions market value of collateral it had lodged with RFC against $47 millions of advances.

To date no use has been made of RFC's new powers to buy railroad obligations at discount market prices and cut the borrowing road's charges to the cost figure (*BW—Jan26'35*). Chairman Jones revealed that RFC had been propositioned by security-holders wanting to sell it bonds cheap, but so far had not been approached by a carrier hoping so to scale its debt.

Underwood & Underwood

LONE HAND—Transportation Coordinator Joseph B. Eastman put in a hot session when he appeared before the Senate Interstate Commerce Committee to urge enactment of his regulatory bills. Despite emphatic pleas, observers doubt that his program will be accepted this session; only legislation at all likely is one for the regulation of buses—and possibly trucks.

Transportation Jam

Eastman plan to regulate all carriers may narrow down to a bus bill this session.

WITHOUT leadership, the legislative program on transportation is lagging. Even though President Roosevelt's long-expected message spurs Congress to action it is already too late to carry Coordinator Eastman's comprehensive list of bills to enactment. So far he has had to support his carefully prepared proposals single-handed. Long and apparently aimless hearings on bus and truck bills in House and Senate committees have revealed a passive endorsement of the principle of regulation but nobody likes the Eastman draft of the bill, not even the railroads.

A highway bill, however, stands a better chance of enactment than others for regulation of water carriers, reorganization of the ICC, and amendment of the Bankruptcy Act to expedite financial reorganization of the railroads, even though the last reflects the Administration's desire to wash out top-heavy financial structures, shut down on continued loans to meet deficits in fixed charges. But this policy can be applied without more law, though that might come in handy.

Separation of legislation on buses and trucks is a possibility. It is strongly urged by the National Association of Motor Bus Operators and the American Transit Association which have very little in common with the highway freight carriers. By passing a bus bill, Congress may consider that it has done its duty, let truck regulation slide for another year, to the great distress and discomfiture of the railroads.

Committee Is Muddled

The House subcommittee is frankly muddled. It doesn't know how to segregate truckers which should be regulated from others who shouldn't. An attempt to regulate all that casually operate in interstate commerce would defeat its own end. American Trucking Associations, Inc., urges the committee to incorporate code machinery in the statute. Its proud boast is that code regulation now is more effective than the regulatory efforts of state commissions.

Coordinated regulation under the ICC of all forms of transportation has no opponents but Coordinator Eastman needlessly antagonized the commission by his proposal for its reorganization. This assumes that highway and water carriers will be regulated but statutory reorganization may not be necessary even then. The commission insists that it is adaptable to the duties that may be laid upon it. Neither House nor Senate committees have yet considered the ICC set-up.

The Senate Interstate Commerce Committee will proceed Mar. 11 to consider the Eastman bill for regulation of water carriers, which has been transferred to the Merchant Marine Committee. With the fate of public utility holding companies in its hands, it is uncertain when the House Interstate Commerce Committee will reach other transportation bills. The sluggish progress which the Administration's major measures have made in the past two months point to a jam near adjournment, whatever the date, that will block enactment of any comprehensive legislation on transportation.

Big Policy

U. S. Steel switches from profit-sharing to group insurance.

INDUSTRIAL group insurance, a relatively new type of protection, but one which has developed within the last 20 years to cover 5 million employees in some 16,000 factories for a total of $10 billions, will get a new and important policyholder some time after Apr. 1 when U. S. Steel signs up for its 200,000 workmen.

Steel stockholders will be asked to vote at their annual meeting upon substitution of group life insurance for profit-sharing and employee stock plans now on the books. The management points out that earnings have not permitted profit-sharing since 1931, that even stock sales were stopped last year after 30 years of annual offerings to employees.

In part, the universal group policy will replace individual programs carried for some years by operating subsidiaries and their employees. A year ago a total of $190 millions of insurance was outstanding on these subsidiary groups. Costs under individual policies were thought to be rising too fast, due to the fact that few young men had been taken on during the depression, and mortality had been increasing with the advancing age of employees covered, also to heavy cancellations for employees who could not carry their share of premium cost. Spreading the risk over the entire group is expected to cut costs materially. Premiums will come partly out of the pay envelope, partly from company contributions.

Announcement of the plan came as a pleasant surprise to insurance people, who anticipate a total of $300 millions' policy value, annual premiums of $3 millions. Whether placed through one or several companies, it will mean a cooperative project for a number of underwriters, since any company getting the business *in toto* would reinsure it in part.

Big Steel started employee stock offerings in 1903 and had 53,203 employees on the stockholders' register for

89,973 shares of preferred and 761,275 shares of common when the sales were closed last year.

Profit-sharing bonuses were inaugurated in 1921, but under condition that no distributions be made unless annual net income exceeded $100 millions. Earnings permitted distributions in every year from 1923 to 1930, during which time $25 millions in bonuses were distributed to 2,457 participants. The biggest year was 1929 with $5.3 millions.

Subsidy for Shipping

Roosevelt would end ship mail contracts and subsidize merchant marine directly as other nations do.

PRESIDENT ROOSEVELT wants a new deal in shipping. In place of the present unsatisfactory subsidy to ship owners in the form of mail contracts and low-interest loans for building a merchant marine, he has proposed the scrapping of both and the substitution of an out-and-out subsidy which will (1) cover the difference in shipping costs between this country and abroad; (2) meet the higher costs of operation due to higher wages on American vessels; and (3) take into consideration the liberal shipping subsidies provided by various foreign nations. Finally, the President would fit shipping into his over-all scheme for the coordination of every means of transportation by placing it under the supervision of the Interstate Commerce Commission, leaving only details of operation to the shipping division of the Department of Commerce.

Mail contracts, under the present system, are costing the government $30 millions a year. The President thinks that they should amount to about $3 millions and that the remaining $27 millions might better be appropriated as direct subsidies for development of merchant marine. Taxpayers will then know exactly how their funds are being spent. The merchant marine appropriation would be voted each year, as such.

Domestically, the plan is likely to be received favorably. Washington's periodical airings of the "ship mail scandals" have become as annoying to the shipping business as to Washington. Presumably, even the old lady from Dubuque has learned that a merchant marine is a part of the navy. There is no longer any reason for trying to conceal public expenditures on our shipping program.

There is another reason for public acknowledgment of the government's subsidy program. Government subsidies for shipping are now publicly discussed abroad. Britain, with the world's largest merchant marine, also has mail contracts, but last summer went so far as to vote about $10 millions of government funds to subsidize tramp shipping. Besides this, there is a subsidy of nearly $50 millions to scrap obsolete bottoms, replace them with modern tonnage. Funds for the completion of the *Queen Mary* were supplied by the government only after White Star and Cunard had agreed to cooperate.

Mussolini rationalized Italian shipping 3 years ago when he forced a virtual merger of all services, staggered sailings in competing services, and transferred some vessels to other lines where there was more opportunity for profitable business. Under government direction, the Italian merchant marine has been rebuilt in the last 12 years.

Hitler attempted a similar scheme in Germany but it has been only partly successful. Government financial aid to the lines, however, has been so extensive as to bring them under government control.

Japan has pursued a similar policy and has been strikingly successful in building up a large fleet of comparatively small but very fast vessels which operate in every part of the world. French shipping is subsidized by the government, and appropriations have necessarily increased in recent years to cover the huge cost of the new *Normandie* and deficits on existing lines.

World shipping has become essentially a system of competing government services.

Acme

GIANTS' BERTHS—Work on the 1,100-ft. piers, which are being built in the Hudson river at midtown Manhattan to accommodate the French Line's *Normandie* and the Cunard's *Queen Mary*, is being rushed to completion. Maiden voyage of the 1,000-ft. French liner is scheduled for this spring.

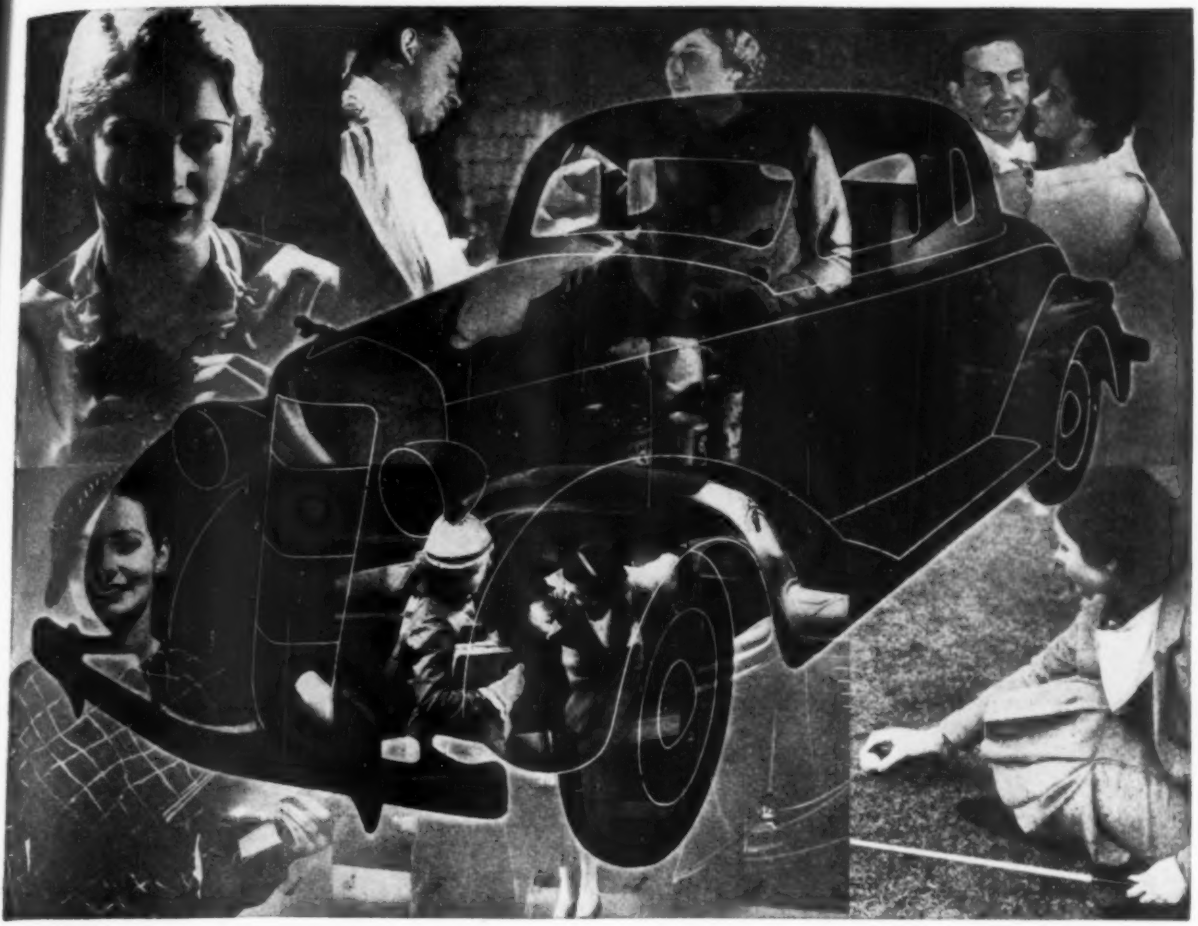
Patent Precedent

Court admits foreign product made by process patented here.

THE distinction between a product patent and a process patent was emphasized anew when the Court of Customs and Patent Appeals held last week that a product made abroad by a process patented in this country, but not in the country of origin, might enter without being labelled as "unfair competition."

The case had to do with calcium phosphate, or apatite, prepared in Russia by the flotation process, shipped to this country and sold at a price below the cost of production here. The decision reverses the ruling of the same court in another recent case, in which yellow iron oxide from Canada was shut out in a similar situation. The court held that its previous ruling was "erroneous."

The new ruling may have far-reaching effects. Heretofore, the situation was thought to be covered generally by the decision in the famous Bakelite case when a German product manufactured, like Bakelite, from carbolic acid and formaldehyde, was shut out from this country. But the Bakelite patents are on the product as well as on the process, while in the 2 recent cases the products are generally accepted as raw materials, and the process of producing them alone could be and had been patented.



REGISTRATION—OVER 2,580,000

... the largest sales total in our field of business. And it's due to the same appeal an automobile makes to modern women ... *Time-saving, and the expansion of personal activities.*

Your car offers weather-proof starting, brilliant speed, easier parking, cuts more and more time off a woman's business day. *One of the Companion's main jobs is salvaging hours from workaday routine.*

Your finger-tip operation, deep luxurious seats, better provision for golf bags and luggage, inspire participation in a hundred interests heretofore restricted. *The Companion strongly advocates these new interests—discusses them in practical detail.*

So your job is closely allied with ours.

More and more you build your product for progressive women. More and more you parallel the appeal that has brought us 2,580,000 readers—1,788,000 with motor cars—1,571,000 who drive themselves.

Figure the advertising power of such a hook-up, especially now that women are influencing car purchases more than men—as reported by the shows!

If you'd like proof that women are really going places, ask for the report of a recent survey among Companion readers. Their activities make a list as long as your production dreams—with a spread as wide as your sales territory.

THE
CROWELL PUBLISHING
COMPANY
NEW YORK

WOMAN'S HOME
Companion

PUBLISHERS OF COLLIER'S
WOMAN'S HOME COMPANION
THE AMERICAN MAGAZINE
THE COUNTRY HOME ... MORE
THAN 8,300,000 CIRCULATION

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

WESTON ELECTRICAL INSTRUMENT CORP. announces the Model 639 industrial analyzer, which, combining a volt, watt, ampere and power factor meter, is designed to permit thorough analysis of plant load conditions, detect over- or under-loaded motors.

SPECIALLY designed for radio, automobile, refrigerator, other mass-assembly work, Black & Decker Mfg. Co. offers Torsimeter, a portable electric screw driver, on which a screw adjustment regulates the desired torque and a clutch automatically releases the action at the predetermined point.

A NEW merchandising and packaging idea that clicked is the dime edition No. I Handy Bookshelf, holding 6 small booklike boxes containing a home supply of paper clips, pins, thumbtacks, etc. It proved so popular during the recent holiday season, that Dennison Mfg. Co. now is placing on the market a bigger edition for office use, retailing at $1.

SLICING and hooking, the bane of most poor golfers and some good ones, is said to be reduced by 5 to 15 yards when a player slices or hooks the new "streamlined," grooved-surface golf ball that Stow-Woodward, Inc., makes. Both the United States Golf Association and the Professional Golfers Association have approved it.

DOUBLE base tubular lamps, now offered by Westinghouse Lamp Co., may be installed end to end, make possible a continuous line of lights without dark areas while using tungsten filament construction. They come in 30- and 60-watt sizes, clear, outside frosted or in color, are designed for 1,500 hours' service.

90TH ANNUAL STATEMENT

DECEMBER 31, 1934

NEW YORK LIFE INSURANCE COMPANY

A MUTUAL COMPANY FOUNDED IN 1845 INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

To the Policy-holders and the Public:—

On the occasion of the ninetieth annual report of the New York Life, it is fitting to review briefly its record of accomplishment since it began business on April 12, 1845.

Founded when this country was young and sparsely settled, the New York Life has forged steadily ahead, spreading the benefits of its protection over millions of people and contributing, through the investment of its funds, to the Nation's development. Having always been a mutual company, it has declared over one billion dollars in dividends payable to policy-holders. Since 1845 it has met every obligation through every panic, war and epidemic.

During the past year the Company paid or credited $157,000,000 to living policy-holders, and $70,000,000 to the beneficiaries of those who died.

The Company's assets were $2,109,505,224 at the close of 1934, an increase of $98,562,112 over the previous year. The gain in assets during the single year 1934 is greater than the total amount which the Company accumulated in assets during the first forty-four years of its history.

During the year 1934 our investments in Government, State and Municipal Bonds increased $146,918,786. A decrease of $17,000,000 in policy loans and an increase of over $60,000,000 in new insurance issued during the year reflect the general improvement of business in 1934.

The following table shows the diversification of the Company's assets at the end of 1934. All bonds eligible for amortization are carried at their amortized value determined in accordance with the law of the State of New York. All other bonds, including bonds in default, and all guaranteed and preferred stocks, are carried at market value as of December 31, 1934.

	Assets Dec. 31, 1934	Per Cent of each item to Total Assets
Cash on Hand or in Bank	$36,449,562.46	1.73
United States Government, direct, or fully guaranteed Bonds	208,726,056.38	9.89
State, County, Municipal Bonds	191,270,360.25	9.07
Public Utility Bonds	159,151,938.01	7.54
Industrial and Other Bonds	21,670,306.29	1.03
Railroad Bonds	341,910,539.57	16.21
Canadian Bonds	44,445,022.61	2.11
Foreign Bonds	2,067,183.26	.10
Preferred and Guaranteed Stocks	69,610,789.00	3.30
Real Estate (*Including Home Office*)	97,212,901.52	4.61
First Mortgages, City Properties	459,805,821.86	21.80
First Mortgages, Farms	12,527,521.11	.59
Policy Loans	396,467,101.27	18.79
Interest & Rents Due & Accrued	31,877,282.34	1.51
Other Assets	36,312,838.44	1.72
TOTAL ASSETS	$2,109,505,224.37	100%

The liabilities of the Company, which include reserves to meet all contractual obligations, were $1,994,134,579.

Included in liabilities, the Company has set up a Special Investment Reserve of $28,000,000 not required by law, and reserves of $45,734,207 for dividends payable to policy-holders in 1935.

Surplus funds reserved for general contingencies on December 31, 1934, amounted to $115,370,645.

Total insurance in force, represented by 2,649,953 policies, was $6,661,514,072. The total new paid for insurance in 1934 was $440,000,000. In addition, men and women paid $45,000,000 to the Company for annuities to provide a guaranteed life income.

April 12, 1935, marks the Ninetieth Anniversary of the New York Life. In view of its financial strength and its long record of fidelity in the fulfillment of its obligations, this mutual company continues to merit the confidence and patronage of its policy-holders and the public.

Thomas A. Buckner
President

A more complete report listing the securities owned by the Company, together with an illustrated booklet describing the Company's ninety years of service to policy-holders, will gladly be sent upon request. Write to the Company's Home Office at 51 Madison Avenue, New York, or to any of its Branch Offices throughout the United States and Canada.

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Spot News and Ads

Ticker News Service offers a new Bell System device for projecting bulletins and sales messages

A SETUP that displays spot news on the heels of the event, with judicious interlardings of advertisements, is being offered by Ticker News Service, Inc., New York. Equipment was developed by the Bell System Laboratories, is an outgrowth of the familiar device by which stock quotations are progressively projected. Ticker News Service leases the machines, has a hookup with International News Service and Universal News Service which furnish the bulletins.

News flashes and advertisements appear on a 3x5 ft. screen that stands 8½ ft. high. A central sending station transmits by direct wires to teletypewriters whence an enlarging projector throws the words on the screen. The eye is arrested by the motion as the letters appear one after another.

Limit Advertising

To date 8 projectors have been installed in public and semi-public locations in New York. One is in the Waldorf-Astoria Hotel, another in Rockefeller Center. Two more will be added within a week. Ticker News Service is soliciting advertisements for the 10 machines. Care is being taken not to overload the tape with sales promotion. Advertising is limited to nonconflicting items and no advertising may take over 3 lines—a 45-second showing—between the news bulletins.

Advertising rate is based on the number of machines. A week's run for 3 lines on 10 machines cost $165, is expected to reach about 1 million readers. Taken by the year, the 10-machine run costs $5,500. All revenue comes from this advertising. To date building owners have been glad to allow installation of the projectors without charge because of their interest-attracting value.

Plans have been made for extending the service to other Eastern cities and as far west as Chicago.

Sales Tax Tickets

Business machine companies rush to the rescue of Ohio retailers in complicated sales tax system.

OHIO legislators wanted to be sure that the 3% sales tax, recently imposed, would actually be collected by retailers at the time of each sale instead of absorbed by them (as happened in Illinois) or bunched in daily or monthly sales totals. So they specified the use of 2-part tax receipts, which could be purchased in advance, cancelled at time of sale by tearing off one half and giving it to the customer while retaining the other half for check-up purposes.

The plan looked good on paper, but hasn't worked so well in practice. Prepaying for tax receipts on future sales hit some of the small retailers financially and brought a real problem to the big department and chain stores which found themselves forced to make substantial investments so that each of their many cashiers could have a supply on hand. Then, too, those receipts were like money and pilfering became a problem.

Tax Control File

Concerns supplying business machines are solving part of the problem. A tax receipt control file, supplied by the McCaskey Register Co., provides separate trays for each denomination into which as many as 1,000 receipts can be locked in such a manner that the whole receipt cannot be removed, but the customers' half can be torn off.

The National Cash Register Co. jumped into the breach with special instructions to its entire sales and service force, enabling representatives to show retailers with National equipment how to adapt their machines to comply with the law or exchange them for models that would supply the necessary records.

Various manufacturers were rushed with inquiries and service calls to repair equipment and restore abandoned printing attachments to cash registers.

In some cities the compulsory issuance of sales-tax receipts has given rise to a new type of bootlegging. Ohio citizens have no intention of starting tax receipt collections. Habitually, they discard tax receipts. Youngsters "collect" them and then sell them at 5¢ or 10¢ on-the-dollar to unscrupulous merchants who are thus enabled to go through the motions of compliance.

Textile Planning

Committees and code changes are prescribed for industry's ills.

THE threat of a textile strike in April and the minor wave of mill liquidations in the New England area combined to create the condition out of which has come the new Textile Planning Committee in Washington. Four NRA members, Arthur D. Whiteside and Sidney Hillman of the NIRB, Leon Henderson, head of research and planning, and Prentiss Coonley, administrator for textile division, are on it. The object is long-term planning, and meeting present crises in the light of a national program for textile development.

While a general textile strike seems unlikely to materialize this spring, the liquidations of various New England plants and the difficulties of the industry there are producing a determined drive

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to abolish the North-South wage differential ($1 per week in the minimum wage), limit operations to one shift and that of 48 hours, do something about costs which have passed over most of the export market for American textiles to England and Japan. There is equal determination on the part of supporters of the code to defend its provisions against change.

The committee is "not an investigating body but a focal point for all interests to work toward a plan which will alleviate the problems which would otherwise arise through substantial excess of producing facilities in comparison with the available market and the resultant difficulties of unemployment," says the official announcement. Part of its job is to remove the "discrepancies in provisions" in the various textile codes—those affecting cotton, wool, silk, and rayon.

First meeting was preceded by a conference of New England governors and congressmen. Figures showing the devastation worked in the New England textile industry in recent years were made public.

Four reasons were cited by Governor Curley of Massachusetts for the falling off in Northern textile business:

(1) A 50% excess production above domestic requirements;

(2) Wage differentials which increase New England costs by between \$2.37 and \$2.56 per week per male worker;

(3) Increased invasion of domestic markets by Japanese textiles;

(4) Growth of the rayon industry in 10 years from \$15 millions to \$215 millions annually.

Moves in the situation include a bill in the House by Mrs. Edith Nourse Rogers, Republican, of Massachusetts, to open the cotton textile code by act of Congress for revision along the lines suggested.

The Belgian Treaty

Both U. S. and Belgium make concessions in trade treaty that leaves us in strong bargaining position.

WHO'S hit, and who's helped, by our new trade treaty with Belgium?

Signed last week, this treaty—the first with a European nation, and first with a producer of competitive goods—becomes effective at the end of March.

Our outstanding concessions on Belgian imports can be grouped in 4 major divisions:

Building Materials: Cement (from 6¢ to 4½¢ per 100 lb. including weight of container); rolled and plate glass (specific duties reduced up to 50%); iron bars, steel ingots, rods, boiler plates, sheets, and structurals (cut as much as 50%); asbestos shingles.

Manufactured Items: Shotguns and parts; ribbon fly catchers; photographic dry plates; vegetable parchment; cordage; waterproof cloth; special linens; hand-made lace; hair felt.

Paints and Chemicals: Aluminum sulphate; chalk; lead pigments; sodium phosphate.

Food Products: Hothouse grapes; preserved peas; endives; crude chicory.

Belgium made duty reductions on 22 imports from the United States. Most important are the 15% cut in duties on passenger cars weighing more than 1,150 kilograms, which includes nearly all American cars; cuts ranging from 64% to 80% on some parts (under old rates, parts for one complete passenger car paid duty of approximately \$500, while new rates halve this); cuts of 25% on light office machines, and removal of the 9% luxury tax on dictating machines; removal of quota and reduction by 25% of import license tax on linseed oilcake (Belgium takes 15% of our output); increase of the meat import quota from 25,000 to 1,044,000 kilograms, and of the lard import quota from 60% of the amount bought in the previous year to 3,007,000 kilograms; cuts in duties on grapefruit and pears; cuts of 15% on radio receiving sets, and 50% on tubes; of 28% in the duty on oatmeal (Belgium takes 75% of oatmeal imports from the United States); smaller concessions on imports of silk stockings, rubber hose, cornstarch, and women's dresses.

Belgium, in spite of its small size and population, is a relatively important market for American exports. Our total sales to Belgium aggregated, in 1933, \$43.3 millions, and in 1934, \$49.8 millions. Last year Belgium was our ninth best customer.

More than one-third of our exports to Belgium are benefited by the concessions granted to us in the new trade agreement. Value of the products affected exceeded \$31 millions in 1929, about \$16 millions in 1933.

The United States made tariff concessions on 47 items coming from Belgium. Of the \$26 millions worth of Belgian goods coming into this country last year, about one-fourth were items which will be affected by the new reductions in duty.

The business world generally is pleased with the treaty. Concessions which Washington has made are modest and well considered. It is estimated by

the cement industry that Belgian imports, under the rosiest conditions, will not exceed 1% of our total consumption. Protest of the steel industry at Washington during the hearings was genuine, but the concessions by Belgium to the automobile industry—steel's best market—are so big that they will largely make up for whatever steel may lose in special lines to Belgian competitors.

Washington has been shrewd in other lines. Concessions to the linen exporters of Belgium, for instance, are said to be so worded that they cannot possibly apply to linen products from other countries. And concessions in general are on lines in which, if there is another competitor, it is a country with some discriminatory policy towards the United States, making it unnecessary for the United States to extend the most-favored-nation privilege. All of which leaves Mr. Hull in a strong bargaining position in pending and future deals.

If major gains seem to favor industry (automobiles and radios), farm interests have not been forgotten. The meat, lard, lumber, and fruit quotas which have been increased are the lines in which the United States is best equipped to compete in the European market. And it is stressed in Washington that the treaty is no more formal than an exchange of letters, so that it can quickly be expanded if the two countries can come to terms on new concessions as recovery gains momentum.

German Gasoline

Production of domestic substitutes is up, but so is consumption.

THE striking progress in the motorization of Germany during the last 2 years has led to an increase of nearly 21% in consumption of motor fuel in 1934 against 1933.

A comparison between consumption figures of 1933 and 1934, segregated by domestic (synthetic and German crude oil) and foreign origin, throws some interesting sidelights on Germany's dependence on foreign imports:

	1933	*1934*	*% Increase*
Gasoline	*Metric Tons (Thousands)*		
Foreign	905	1,050	16.0
Domestic	174	250	43.7
Total	1,079	1,300	20.5
Benzol			
Foreign	33.6	40	19.0
Domestic	233.7	280	19.8
Total	267.3	320	19.7
Alcohol	138	171	23.9
Motor-Fuel Total	1,484.3	1,791	20.7

These figures show that benzol and alcohol (compulsory admixture of

10%) are the mainstays of domestic supplies of motor fuel. Owing to these sources, Germany in 1934 was able to supply 39% of total domestic consumption of motor fuel, only a slight gain over the 1933 quota of 36.9%.

Germans now pin to synthetic gasoline their hopes for a further increase of domestic supplies of motor fuel. The annual capacity of the mammoth Leuna plant of the I. G. Farben-Industrie, which was only 120,000 tons in 1933, was raised to 220,000 tons in 1934, and is expected to reach 300,000 to 350,000 tons in 1935. The new synthetic gasoline plant to be built by the compulsory association of lignite mines will probably not produce until late in 1936. Skeptics assert that the prospective increase in German motor fuel production will only barely suffice to keep pace with the increase in consumption, at least if the motorization of Germany proceeds in line with the ambitions of Hitler.

Follow-Ups

When the news broke, *Business Week* told the story. Later developments add these postscripts.

In their annual survey of radio set sales (*BW—Mar17'34*), *Radio Retailing* and Columbia Broadcasting System, joined this year by National Broadcasting Co., report a total figure for 1934 of 3,304,000 sets (exclusive of 780,000 automobile radios), 68% of which represented replacement demand. Cash outlay for new sets is estimated at $191 millions, to which $200 millions, the cost of set operation, must be added to achieve a figure representative of America's total investment in "listening in." Simultaneously this week, CBS also took occasion to announce the results of its latest "census" of radio homes, conducted by Daniel Starch. On the basis of 125,000 calls, CBS estimates there are 21,455,799 sets in operation, almost 2½ millions more than previous computations had suggested.

When Krueger Brewing Co. of Newark questionnaired beer drinkers last year (*BW—Sep22'34*), it found that 75% would like their beer in the new "keglined" can which the American Can Co. had devised. That suggested the desirability of more exhaustive tests—specifically sales tests. Hence, Jan. 24, Krueger put its canned beer on the market in Richmond, Va., took big space to advertise such sales features as sanitary packaging, draught flavor, protection from light, no bother with empties. To dealers it emphasized the fact that a case of canned beer weighs 55% less, occupies 64% less space. To customers, Krueger presented a patented can opener which cuts a triangular opening in the

side of the can at the top. First reports show that 91% liked canned beer.

WHATEVER else may come out of the state legislatures now in session, liquor and beer interests anticipate some legislation which will nullify bans on their products in some states, relax stringent provisions under which they must operate in others (*BW—Jan26; Feb2'35*). Already Arkansas, Idaho, West Virginia, and Wyoming have moved into the wet column, and products of more than 3.2% alcoholic content may be sold as soon as various formalities are executed. A definite date of Apr. 1 has been set in Wyoming. Other bills are pending in Nebraska, South Dakota, and Utah, and chances for their passage are favorable. Despite their defeat in the Alabama referendum last week, wets have high hopes of breaking into the solid South. Bills authorizing referendums in North Carolina and Georgia are being vigorously pushed, and even Alabama is not yet lost. The legislature is yet to take action and because of the closeness of the vote—the farm areas were responsible for the dry majority—wets are hoping something may yet be done.

LIQUOR interests were also cheered last week by the Treasury's ruling that Montana liquor store profits were exempt from federal levies. This ruling reverses an earlier one in which the Treasury held that the profits from Oregon stores were subject to government taxes. By implication, it exempts the hard-pressed liquor systems in all 13 states where monopolies exist (*BW—Jan19'35*), thus permitting them to function more effectively.

PLANS for a New York state monopoly of workmen's compensation insurance (*BW—Feb2'35*) have been scrapped in favor of a program under which private companies will provide a $3-million guaranty fund ($2.3 millions from stock companies, $700,000 from mutuals), to assure against default by any of their number. Fund is to be built up by deposit of 1% of premiums. In cases of death or permanent disability companies will pay to the state fund the full amount of claims, the state distributing it to beneficiaries in instalments.

INDICATIVE of the outspoken dissatisfaction in France with radio broadcasts from government-controlled stations (*BW—Feb2'35*) is the inclusion in a newly-created Superior Council for Broadcasting of representatives from listeners' associations. Under the new plan, each broadcasting station will be managed by a regional board of 20 members—5 representing the administration; 5, artists, technicians, and the press; and 10 elected by listeners' associations composed of radio set owners.

REMOTE CONTROL

may be blocking your sales . . .

MANY a seemingly certain "sale" is killed by somebody your salesman *did not see.* Could not see, perhaps!

It may be an inaccessible executive in the next office. Or financial interests a thousand miles away. It may be a consulting engineer who isn't familiar with your product. Or a plant engineer who never heard of it.

In either case, the sale has been killed by *remote control*—control exercised by one or more of the several parties who must be counted in on every sale to business or industry. Over and over again, painstaking surveys have proved that many men take part in industrial buying. At least three persons have a direct influence on 90% of all industrial purchase transactions. The larger and more important purchases invariably involve proportionately more buying influences.

Advertising is the one sales tool you can rely on, successfully to counteract the negative influences of remote control. Advertising gets in to see the men from the top down, who are inaccessible because of distance—or who make themselves inaccessible by refusing to see salesmen. Advertising works on all the buying voices at once, puts them all in the mood to say "yes" when your product is up for consideration.

Put this valuable sales tool to work for you now. For influencing business and industrial buyers, you can do it economically and effectively through McGraw-Hill Publications. These publications cover the key men in Industry's 12 Major Markets—*with a minimum of waste circulation.*

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Business Abroad

Violent fluctuations of British pound, rapid rise of silver prices, unexpected political complications in Europe, and contemplated loan to China unsettle business. London provides credit to Brazil. Grain control in Canada.

CURRENCY fluctuations (particularly the spectacular decline of the British pound), the sharp rise in silver prices, and the question of a great international loan to China combined this week to complicate the business outlook. To understand the situation it is necessary to review developments of the last several months in a number of countries.

British business activity touched its low of the depression late in 1931. From April, 1933, until last summer there was a steady and rapid gain, which was resumed after only a temporary lull. The index for January of this year was well above the 1929 average.

Britain Needs Markets

Britain, however, is geared to produce for much more than the domestic, or even the Empire, market. This recent recovery in large part has been due to expansion of domestic sales following the imposition of tariffs. Exports are up only slightly, but imports have increased greatly to meet revived demand for raw materials. At the same time, Japan has made tremendous inroads in former British markets, including some of the colonies. British textile exports last year, for instance, were about one-half what they were in 1928, and were half a billion yards below Japan's total. Though industry is still busily occupied with domestic orders, British executives are worried over the long-term prospect.

Just as this situation was being generally realized, following the announcement of 1934 foreign trade returns, the National government suffered a series of defeats in local byelections. And finally, the collapse of the pepper pool uncovered some unscrupulous "gambling" in commodities which brought forth a popular demand for an investigation which Parliament has tried to evade. The government was threatened, and by Labor, which has already preached nationalization of banking, trimming (if not the termination) of tariffs, and government control of a vast number of industries. Combined, these developments undermined confidence seriously.

Paris played up the situation (probably to hide unfavorable economic conditions at home), and the net result was the beginning of a flow of funds from London to Paris. It has been under way for some time, gained considerable impetus in recent weeks, especially since the Flandin government in France has temporarily won back a part of the almost universal support which brought it to power last year.

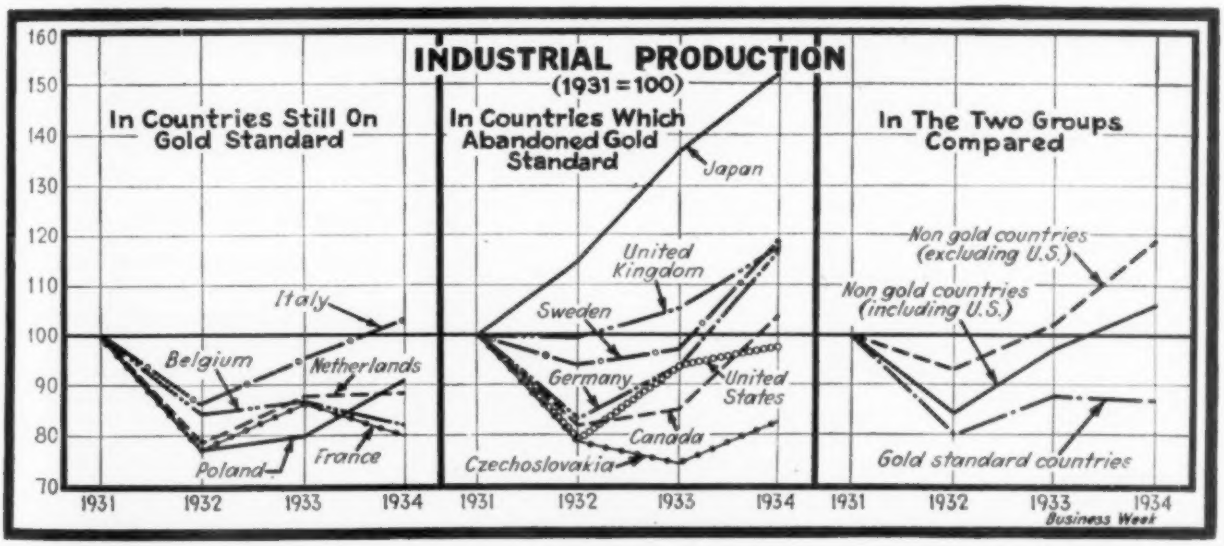
Paralleling this situation has been the steady rise in the world price of silver. Due primarily to the Roosevelt policy, the price rise of the last few weeks has no doubt been stimulated by the fact that Britain has recently showed signs of supporting the scheme, and that China's financial troubles are likely to be eased, at least temporarily, by a loan.

This is where the situation becomes complicated. Roosevelt's silver-buying program has unsettled Chinese business, curtailed imports. Japan has suffered more than other nations. This delights the British industrialists, and probably accounts for recent pressure to support the American silver program.

China—a Pawn

On the other hand, Japan is determined to get just as much of a hold on China as possible. Tokyo's position in Manchukuo and Jehol is not likely to be disputed by the Powers. North China (the Peiping-Tientsin-Tsingtao region) may even be allowed to become a Japanese sphere of economic influence. But Japan's various statements that no further European loans can be accepted by the Nanking government, that Tokyo and Nanking must cooperate in the Orient, may not now be accepted by European Powers and the United States. Not only would it begin effectively to shut them out of a vast market but it would jeopardize huge investments which, in the case of Britain alone, exceed $1 billion. Those aware of the importance of the Central China market to Westerners will not be surprised if they cooperate to provide Nanking with a loan. But those who have been in Tokyo recently are not certain that Japan will accept this plan without concessions elsewhere.

Britain has the largest stake in China and naturally took the initiative to arrange a cooperative credit. France, the



WHERE INDUSTRY IS ACTIVE—Industry, generally, has recovered more rapidly in countries which abandoned the gold standard than in those which have refused to devalue their currencies. Germany is included in the non-gold group because the currency is only nominally on gold (mainly for the debt-paying advantage). Monthly average index of production figures are used to trace recovery progress in individual countries. 1931 is taken as a base in order to catch the first impulse to business following devaluation in Britain and the sterling countries. Composite index data for each group are determined by weighting them according to the relative national incomes of the countries. On this basis, the United States is weighted 61% in the non-gold group.

United States, and Japan would share equally in the loan, and, theoretically, in the benefits.

Washington, however, is embarrassed by the proposal. The present Administration has been condemning from the housetops as a fundamental error of previous administrations the selling of goods on credit regardless of the obvious probability the credit would never be repaid. In fact, the scheme to dispose of our cotton surplus to Germany on just such an arrangement was abandoned because Washington was unwilling to grant a credit to Germany.

British Designs on Chinese Market

There is no official confirmation for the statement that Britain started the present rundown of the pound. It may not be true. Certainly there are conditions which helped to start the toboggan. But it is interesting that some of the best informed experts of the United States government firmly believe that the raid on the pound was staged by the British government *after* it had clear intimations that the United States would not participate in the proposed international loan to China. With that dream blasted, Britain seemingly intends to meet the competition of Japan in South American and other markets by getting the pound—and therefore manufacturing costs—down.

Meanwhile, the entire business world is unsettled. Of the gold bloc countries, Italy has adopted drastic measures to preserve the semblance of remaining on gold. Belgium is increasingly pinched. France, backbone of the bloc, is in a relatively strong position though it seems inevitable to French and foreign authorities alike that the country cannot indefinitely avoid abandoning gold. Business is deteriorating and any further decline of the pound weakens the competitive position of industry in foreign markets, lessens the possibility of reviving tourist trade. There is even a group of experts who believe that Paris is approaching the point where gold must be abandoned and is deliberately drawing gold from London to push the pound down and provide an excuse for France to make the final revaluation move. More people, however, believe that France can hold out yet awhile. In Germany, there is consternation over this new threat to already crippled export business. And in Washington, there is no assurance that the Administration will not avail itself of its privilege of further devaluation if the pound slumps too far below its old parity (page 40). But nowhere is there the expectation that a stabilization conference is "just around the corner."

Wide World

MORE AUTOMOBILES—MORE LACE—Washington's first New Deal treaty in Europe is with Belgium; provides for lower duties on American automobiles and radios in exchange for tariff cuts on Belgian cement, lace, and other items. Negotiators (reading from left): Count Robert van de Straten-Ponthoz, Belgian Ambassador to the United States; William Phillips, Acting Secretary of State; Senator Pierre Forthomme; and Francis B. Sayre, Assistant Secretary of State.

Germany

Schacht plans new export subsidy. Germany shifts cotton purchases.

BERLIN (*Cable*)—The Leipzig Fair, Dr. Schacht's new plan to subsidize exports, the flurry in sterling exchange which is pushing the pound down and threatening the gold standard currencies—all emphasize the precariousness of Germany's foreign trade situation.

There are more visitors at the Leipzig Fair this year than last but there is still small evidence of the desired recovery in foreign demand for the products of German industry.

Because of the revival in domestic business, Germany's imports of raw materials have increased rapidly, while exports have failed to show a similar recovery. This has created a further unfavorable trade balance. Dr. Schacht, economic dictator in the Reich, now proposes to bring new aid to exporters in the form of a subsidy. Export prices will be forced down to the point where German goods can compete with similar items from other countries. To make up this loss to exporters, all German industry will be forced to contribute to a cooperative fund which will be distributed to those industries which suffer a loss on their export sales. The sales must continue and expand if Germany is to create the foreign exchange with which to buy raw materials essential to their needs.

Warning from Schacht

This warning by Dr. Schacht caused Germans to take a special interest in the week's spectacular decline of sterling on foreign exchange markets. As the pound drops, Britain's competitive position is improved but also the strength of the gold is undermined. If Germany's neighbors — Holland, Belgium, and France—should abandon gold, the export situation would be greatly aggravated.

Figures were released this week to show the effect on the United States of Germany's determined effort to buy from those who buy from Germany. Import of raw cotton (as per cent of total) from various countries is listed:

Period	*U. S.*	*East India*	*Other Countries*
Season 1932/33	94	3	3
Season 1933/34	90	6	4
Aug. 1, 1934 to Feb. 1, 1935	58	4	38
Jan. 1-Feb. 8, 1935	19	8	73

Reduced to bales, cotton arrivals at Bremen from Jan. 1 to Feb. 15 last year included 226,610 from the United States, 2,398 from the East Indies, and 19,882 from other countries. In the same period this year, 21,680 bales of American cotton arrived, 5,941 from the East Indies, and 55,721 from other countries—Egypt, Peru, Argentina, Brazil, Persia.

Great Britain

Foreign exchange flurry causes no panic but causes business and politicians to emphasize favorable industrial records.

LONDON (*Cable*)—The week's flurry in the foreign exchange market—with the rapid decline of sterling—has unsettled business in England but is causing no panic. The rapid flow of funds from London to Paris, which is causing the drop in sterling, is caused by the desire of the French to get their gold in Paris before the government's cheap money policy becomes operative. First withdrawals from London began as long ago as January. It is believed possible in London that Holland and Belgium may be dragged off gold by the new competition from British exports as the

pound sags below its old parity of $4.86. Frightened by the move, however, politicians are eagerly turning to trade reports to prove to the public that business has not suffered under their guidance, and that there should be no sharp shift to Labor and socialism.

Industrial production in 1934 was about 12% greater than in 1933, and 18% above the 1932 output. Manufacturing industries showed the greatest expansion in activity, their output last year being nearly 2% above the 1929 figure. Britain's 12% increase in production compares with 24% in Germany and 4% in the United States.

On the official estimate from the Board of Trade, the balance of payments for 1934 showed a deficit of only £1 million. This estimate covers all Britain's balance of payments with other countries, both visible and invisible. It compares with a credit balance of £2 millions in 1933, and a debit of £51 millions in 1932. The unfavorable merchandise balance was £31½ millions larger than in 1933, but this is offset by an additional £5 millions from shipping, and an additional £15 millions from oversea investments, and a receipt of £9 millions from South Africa as repayment of war debts. This means that the true deficit on trading and normal invisibles is nearer £10 millions than £1 million.

Employment figures for February will show a marked improvement.

Current earnings reports continue to be favorable, with profits running about 14% ahead of last year.

France

Paris anticipates currency battle. French business no better. Europe builds streamline trains.

Paris (*Wireless*)—For the present, France is not worried over the decline of sterling exchange, but if the movement continues and is followed by further dollar devaluation, the situation will become serious, not only for France but for all of the countries remaining on the gold standard. Flandin can be expected to handle the situation firmly. Fortunately, his backing is stronger now than it was several weeks ago, though it could change quickly since the agrarian bloc in France is solidly opposed to him.

The business outlook has not improved. Activity on the Bourse is restricted. Employment has not recovered. Deposits in the Postal Savings Banks have increased 700 million francs in the last two months, thus relieving the Treasury of the need to borrow.

Following the reorganization of the country's broadcasting system so as to include owners of receiving sets on the new control boards, the government has issued a decree coordinating all forms of transportation and setting up local boards composed of transporters and clients. These local groups are to make recommendations to a Central Board of Transportation which will in turn back legislation making the proposals compulsory.

An order for 15 single-unit cars, each to be powered by a diesel-electric engine, has been placed by the Northern Railways of Italy and another for 30 2-car trains will be placed soon by the French Railways with manufacturers in Italy and France who operate under license from the Edward G. Budd Manufacturing Co. The Burlington "Zephyr" and the Boston & Maine "Flying Yankee" are models for the new shot-welded stainless steel trains for Europe.

Canada

Bennett proposes "Canadian Grain Board" with power to take over Canada's entire grain business.

Ottawa—Is the Ottawa government going to take over Canada's entire grain business, from the spout of the threshing machine to the domestic consumer or the overseas buyer?

It is acquiring power to do so if it chooses under legislation being introduced in parliament by Prime Minister R. B. Bennett. The legislation is not yet in its finished form, but the resolution which paves the way for it in the House of Commons was introduced by the Prime Minister this week. It indicates that the bill, when it comes down, will give the federal government unlimited powers to manage the grain business.

The resolution, in a general way, speaks for itself. Here are its astonishing terms: "That it is expedient to establish the Canadian Grain Board with power to purchase, receive, and take delivery of wheat, oats, barley, rye, and flaxseed, for marketing, and to sell, store, transport and market such grains . . ." and to provide for the necessary machinery of the board.

A wheat board to take over and market existing wheat supplies was anticipated. Nothing as all-embracing as the present proposal had been expected. Recent developments in the wheat situation suggested the likelihood of the outright purchase of the wheat which J. I. McFarland of the Wheat Pools Selling Agency holds on option for the government, the wheat to be marketed as expeditiously as possible without disturbance of the market.

Grain Monopoly

The Bennett legislation will give the government power to create through the proposed board a government monopoly in all trading in all grains. The board could buy from the farmers, transport, store, sell at its discretion. If it exercised these functions it would wipe out the private grain trade. The Winnipeg Grain Exchange would fold up.

But the enactment of legislation giving the Ottawa government this unlimited authority does not necessarily mean it will exercise it all. It might invoke only part of it. It certainly will go as far as to set up the grain board for handling the wheat surplus, taking over possession of the wheat, and marketing it as it can. It probably will deal in some of the other grains also.

However, it is believed the legislation is a further step in the Bennett program for complete rehabilitation of agriculture in western Canada. The desire of the administration is to direct agriculture along economically sound lines. The production end offers an opportunity. There is an overproduction of wheat, a shortage of barley, oats, and other coarse grains. Some of the latter have been bringing good prices, while the wheat market has been flat.

Control of production, therefore, may be a further step in the program. This would be under the board, although it is understood the present legislation does not provide for it. One aim is to give barley a much larger place among Canada's export commodities. Development or revival of the livestock industry is also in view. It has been languishing since the United States closed its market. Those engaged in the industry in the West will vote soon on the question of placing it under the Marketing Act.

Another step may be taken in connection with transportation rates. The Railway Commission may be required to make another investigation of the entire freight rate structure covering agricultural products. Farmers have complained about the differential between export freight rates on grain and domestic rates.

It is all part of the pre-election platform of the Bennett government—the first move in the promised control of business in the general interests of the country. Consideration of the legislation by the Commons may be delayed by the illness of the Prime Minister.

Latin America

Brazil reported to have negotiated credit in London. Politics again unsettle Cuba.

Two developments of importance are under way in Latin America.

The Brazilian financial mission which visited New York a few weeks ago and which is now in London is reported to have secured from Rothschilds a credit which is to be applied against the liquidation of Britain's outstanding commercial debts in Brazil. First reports that the credit will be as large as £4 millions are questioned in usually well informed circles in New York, as is the rumor that New York banks will extend a similar credit. It is possible that a plan may be worked out by which Brazil's notes against these commercial payments which are frozen can be discounted at the Export-Import Bank. Details of the present negotiations are likely to be clarified in the next few days.

Cuba is once more disturbed by political troubles. Students and teachers have started a general strike, which a number of labor unions threaten to join. There is the possibility of a general strike—aimed at the overthrow of the Mendieta government. Cuba is evidently unwilling to accept longer a government dictated by outside powers.

Money and the Markets

The President was talking of continued price regulation, not of further devaluation—unless London and Paris force his hand. Stocks have sinking spell, bond market is nervous. Exchange troubles hit some commodities.

MONETARY matters have the spotlight again. Financial interests spent most of the last week worrying about the subject while prices were whipped up and down as sentiment switched back and forth between extreme viewpoints on deflation and inflation. A positively deflationary influence on domestic price levels has been introduced by the persistent weakness of European currencies, particularly the pound. Its direct effect is felt on commodities and securities traded internationally. On these, the enhanced buying power of the dollar in relation to other currencies pressed quotations downward.

Purely sympathetic reactions spread in all directions, even to many prices where domestic conditions are the sole determinant of value.

The atmosphere was clarified considerably at midweek, however, when the President found occasion to reiterate monetary objectives of the New Deal. He indicated that he was not yet satisfied with the debt-paying and purchasing power of the dollar. The statement, made at a time when attention was focused so intently upon currency developments, created temporary confusion. Speculative interests seized upon it as a declaration of war against foreign interests, a warning to the world that this country would promptly move to counteract any juggling of exchange values undertaken abroad to upset domestic price relationships or impede the New Deal's program of higher prices.

Significance Exaggerated

This point of view clearly exaggerated the significance of the President's commentary and realization of that fact served to quiet down the excitement in financial circles and markets after their brief fling.

Actually there seems to be no fundamental change in the money picture, either domestically or externally.

Disturbed exchange markets are a natural aftermath of that period of suspended activity incident to the "gold-clause" cases when natural processes of balancing differences failed to function because gold was not being shipped by private interests. In the subsequent readjustment, foreign nations have been jockeying to gain or hold trade advantages (page 37). An incidental result of the gold decisions was to enhance the respect for the dollar and its prospects for stability in foreign financial circles. This respect has been further magnified by the facility with which the Treasury is accomplishing its March financing.

The President's remarks on money clearly related to a purely domestic situation. In light of recent developments, they have been interpreted to mean that the New Deal program still includes a regulation of prices; only incidentally do they tell London and Paris that there is still 9¢ leeway in the gold value of the dollar, should further devaluation be necessary to prevent too dear a price being put upon United States currency in foreign markets.

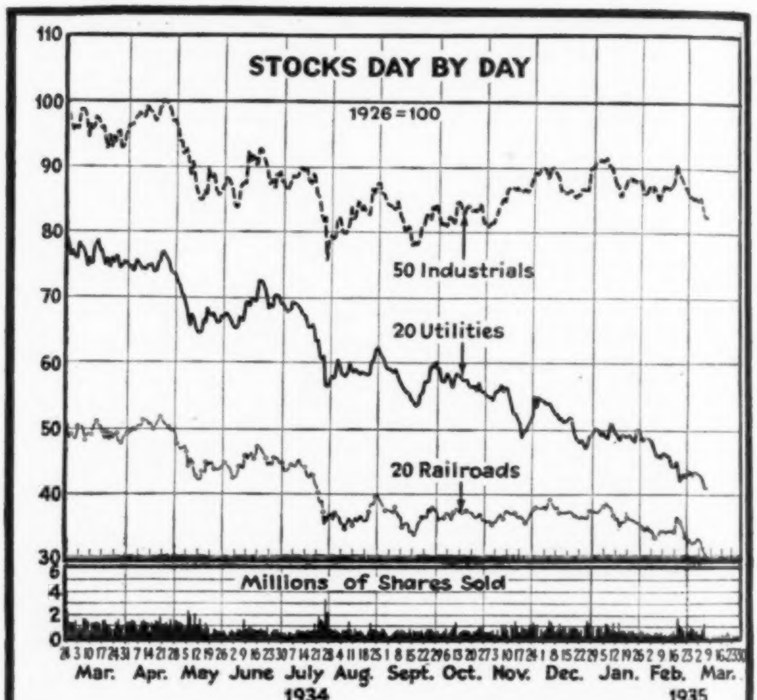
This is a far cry from "inflation"; it is, as a matter of fact, part and parcel of the New Deal conception of stability in prices. For the clearest declaration of governmental policy in that respect, refer to what Donald Richberg said in his Boston speech a week ago: "Advocates of a monetary policy whereby the price and wage structure can be violently disturbed by actions of other nations, by concentrated control of credit in private hands, by operations of speculators, by shifting relationship of the supply of one precious metal to a widely fluctuating demand for currency, are not advocating a sound currency."

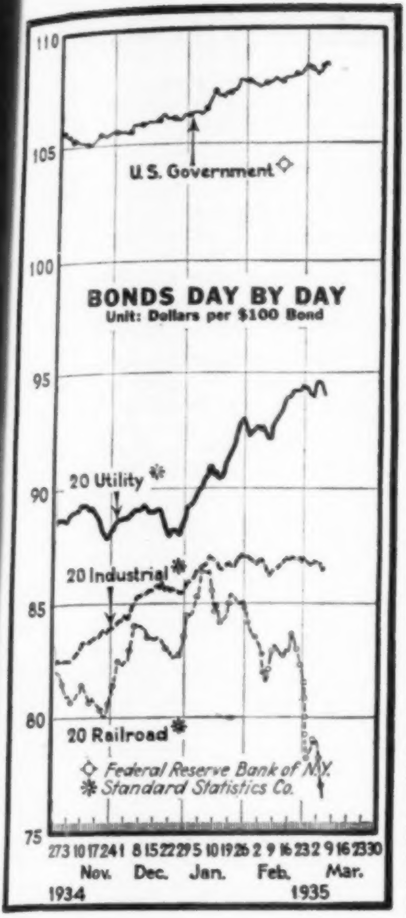
Considered in light of this philosophy, further devaluation of the dollar still seems remote. Even with reference to domestic prices, no drastic change is indicated. Farm prices, the particular concern of Washington, have practically reached pre-war parity with other commodities. Credit expansion and the employment of idle bank deposits continue to be the preferred mechanics of accomplishing what further boosting the entire price structure needs.

Eccles Asks Longer Loans

This attitude is becoming apparent in the hearing on the Administration's omnibus banking bill. Governor Eccles emphasized it when he pointed out the need for giving the banks power to make longer, less-liquid types of loans. These are the kind that business needs at present; they are, therefore, the only means of getting the credit ball rolling.

It was no consolation to conservative financial interests, however, to know





that Professor Fisher and Robert Hemphill, prime movers in the National Monetary Conference, were given a chance to take their bank nationalization proposal straight to the President. Incorporated in a Senate bill introduced this week, their plan proposes a new Bank of the U.S.A. that would take over the Federal Reserve banks, become the exclusive bank of issue, hold absolute control over commercial banks by requiring 100% currency reserves against deposits, actually establish its own branches where private banking facilities were not available. To the politically-minded, this merely puts the President in his usual position of sponsoring (in the Eccles program) the less objectionable of 2 proposals.

Stocks

Another sinking spell in stocks brought the general price level back to the low point touched last July. Industrial shares actually were weaker than utility and railroad equities, apparently because there was less liquidation left in the latter groups. The industrial average remains well above the depression bottom but has cancelled all its early winter gain, and now rests near last October's low. Average prices on the carriers are back to April, 1933, levels, while the utility averages are just now registering new bottoms, even below those of midsummer, 1932.

Successive waves of liquidation have hit the market and although the offerings are not heavy they encounter a vacuum, quotations fading away so fast there is sometimes a point or more drop between transactions. Investment buying appears to have dried up for the time being. Brokers report that owners of dormant accounts are just following the course of events, that investment trusts are standing by in anticipation of a better purchasing level.

All Bears and No Bulls

The market's own action has been supplying most of the bearish sentiment recently, although speculative sentiment is low. Wall Street is afraid of Washington and foreign exchange. Even those operators who believe further dollar depreciation is inevitable no longer use the spectre of inflation for a bullish argument. They feel that prices and costs have now risen to a point out of line with corporate and individual incomes, that there would be resistance to higher prices that would offset the influence of cheaper dollars.

Such is the way of Wall Street in a reactionary market, however, and the suddenness with which its sentiment switches was disclosed in the brief spurt in prices last Wednesday on garbled accounts of the President's comment on price levels.

The generous margins required under SEC regulations are standing the market in good stead. Forced liquidation from under-margined accounts has been slight, despite the sharp decline in collateral values. Selling is voluntary and is said to be augmented by offerings from foreign holders. The premium on dollars over pounds affords the British stockholder an arbitrage profit which invites this type of operation.

Consolidated Gas Threatened

Utility shareholders got another bad piece of news in the New York Power Authority's report proposing a $270-million reduction in the Consolidated Gas valuation for rate-making purposes. In the present pessimistic attitude of the Street, more attention was paid to that item than to the growing opposition to the holding company bills which now appear actually doubtful of passage without great modification.

The railroads were spared any startling new developments, but prospects for the carriers continue to deteriorate with relief measures caught in the general snarl of legislation and bankruptcy talk still prevalent (page 20).

The long-awaited SEC regulations on floor traders, specialists, odd-lot dealers, and short selling have been submitted to the stock exchanges for study. The commission asks for comment on the proposals, plans possible revision in light of suggestions offered. Even as revised, the rules would have a test period and only after that would they be imposed as permanent regulations.

Purposes of the rules are to prevent floor brokers from chiseling, beating a customer to a price, or forcing prices up or down by successively higher bids or offers. It is proposed that signals be devised to indicate that a broker is offering to buy or sell for a customer rather than for himself or firm. Such transactions would have priority at the price specified over offerings by any floor trader. Accounts of floor brokers would likewise have to be margined under SEC regulations just as a customer's account must be. Specialists and odd-lot dealers would be prohibited from trading personally in stocks they handled in their special capacity. No broker could buy or sell shares in which he or his firm held or had granted options.

Bear raiding would be prevented under the proposed regulations by prohibitions against short sales at a price below the last price recorded or (an alternative proposal) unless the short sale was at a price higher than the low-sale price of the day—¼-point on shares selling below $50, ½-point up on shares selling above $50.

Bonds

Bond values have become increasingly susceptible to reactions, even the highest-grade issues punctuating their advancing trend with periods of irregularity, as though investors were still doubtful about the stability of prices at the recently attained high levels. The sharp break in railroad bonds has increased nervousness in other departments of the list, by showing that untoward developments can upset prices, despite the ever-present pressure of investment demand to sustain them.

Offerings of 2 federal issues this week and of a large state issue at record low yields emphasized the high prices currently prevailing on highest-grade issues.

In connection with its March refinancing, the government offered holders of called Liberty 4¼s, $1.8 billion 25-year bonds carrying 2⅞% coupon. Lowest previous rate since pre-war days was 3%. Except for 2½% postal savings bonds and 2% currency circulation issues, there is no record of cheaper long-term government credit. Those lower coupon bonds, now callable, sell on a basis of short-term securities.

Government Credit Improved

Simultaneously, an issue of 5-year notes bearing 1⅝% was offered in exchange for maturing 2½% notes. This transaction emphasizes the enhancement in government credit within the last year. The notes due, when sold just a year ago, required a higher rate for 13-month duration than that now provided on 5-year obligations.

Even at these rates, both offerings were attractively priced in relation to market on outstanding governments and both issues immediately moved up to a premium over par in when-issued trading.

New York State sold a block of $45 million bonds at prices making the cost to the state 2.3% for serial maturities up to 50 years, another record in cheap borrowing. The bank syndicate that bought the new issue sold the greater part of it in one day at prices yielding the purchaser ¼% to 2.50% according to maturity.

Commodity Markets

Speculative sentiment on commodities continues bearish and trade factors show only limited interest. In consequence, prices are heavy in sluggish trading. Even inflation talk is not a sufficient spur, although there was a brief flicker in midweek when Washington despatches were misinterpreted to mean that the United States was getting ready to take definite action to counteract the rise of dollars against other currencies.

Tangible effects of the exchange unsettlement are restricted to a relatively few commodities, notably rubber, cocoa, silk, and other items purchased from abroad in large quantity and in which the world price is expressed in foreign currencies.

Both cotton and wheat also reflect some influence, the former because we export large quantities, wheat because our price automatically hinges upon world prices, despite the fact that we are on a domestic basis behind a 42¢ tariff. On most other markets, the effect is psychological and a few items were able to ignore it. Livestock prices continue to march upward, hogs flirting with a 10¢ level because of famine runs from the country.

Sugar Holds Out

Sugar is another individual commodity to hold out against the general trend. More than one-fifth of the year's quota of Cuban and insular sugar has been imported in 2 months' time, and still domestic stocks are well below those of a year ago with the heavy consumption period lying ahead.

Rubber, on the other hand, has been severely depressed by the pound's weakness on top of the shock to traders in the failure to tighten restrictions on producers for the second quarter. Additionally, Malayan shipments in February of 50,600 tons, only 6,000 tons below January, were larger than expected.

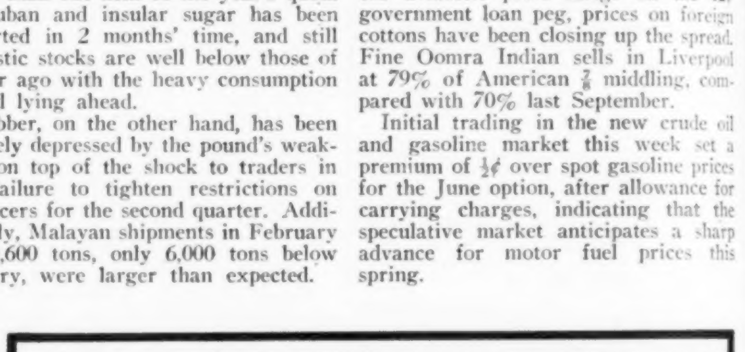
Grain traders, completely engrossed in consideration of monetary developments, disregarded the steady shrinkage of wheat supplies and the threat to next year's crop in the winter territory drought (page 5). Wheat remaining in the visible supply allows for disappearance of only 1 million bu. weekly between now and the new harvest. That means even further restriction of consumption unless farm stocks come into the markets faster than they have to this date.

What Wheat Figures Show

It has been estimated that between 100 million and 150 million bu. will be left in the carryover at July 31. This, plus a 500 million bu. winter crop, as now forecast, would supply normal consumption needs another season. What the spring territory raised would be available for export and carryover into 1936. Last year's spring crop was cut to 91 million bu. by the drought and conditions are not much more favorable this year. In 1932 it amounted to 267 million bu.

Some long-deferred buying came into silk when it broke to $1.31 per lb. and cotton seems in line for better demand from abroad, although domestic mills are curtailing operations and avoiding extensive purchases of the fiber. While the domestic price hangs on the 12¢ government loan peg, prices on foreign cottons have been closing up the spread. Fine Oomra Indian sells in Liverpool at 79% of American ⅞ middling, compared with 70% last September.

Initial trading in the new crude oil and gasoline market this week set a premium of ½¢ over spot gasoline prices for the June option, after allowance for carrying charges, indicating that the speculative market anticipates a sharp advance for motor fuel prices this spring.



Editorially Speaking—

SECRETARY OF COMMERCE Daniel C. Roper, sensing that there is altogether too little understanding and correlation between government and business, suggests that, from time to time and for brief intervals, persons occupying important government jobs exchange places with men occupying high position in the business world. This leads to all sorts of jocose suggestions such as that David E. Lilienthal, for "a brief interval," undertake the management of Cities Service Co. while Henry L. Doherty, for an equally brief and interesting period, assumes the management of Tennessee Valley. It also impels contemplation of sober facts. It reminds us that in this country there is almost no such thing as statesmanship, that nowhere are we preparing men for public service. It reminds us, also, that our business men know less than enough about affairs of government. Perhaps such an exchange of jobs would accomplish nothing beyond teaching the experimenters how little they know about their own responsibilities. Even that might be worth while.

IT might be a good idea for someone to try to discover what is possible in the way of employment under ideal conditions in this country and what level of employment is essential to national welfare. We are told that unemployment today totals somewhere between 10 millions and 11,300,000, depending on whether the National Industrial Conference Board or the American Federation of Labor is doing the telling. On the other hand, we are informed that at the peak of predepression industrial frenzy there were 46,015,000 persons employed in the United States and that the comparable figure today is 37,358,000. Subtraction shows a difference of 8,657,000 fewer employed than in the heyday of 1929, not taking into account population increase.

For some reason when we subtract unemployment figures from any total of normal employment, we always get a sum that doesn't make sense. Whatever may be accurate in these calculations, it is interesting to observe a compilation of figures from the various government spending bureaus indicating that last year there were nearly 17 million people on federal pay rolls, exclusive of regular government employees.

NO ONE expects Mr. Roosevelt to issue plans and specifications for the legislative and administrative procedure he contemplates. There is little evidence that he privately repudiates his public utterances. Yet one gets quite different impressions from the two sources of information. At the same time one gets highly contradictory impressions from his various interpreters. On the outside, Mr. Roper is giving the most conservative reading of the Rooseveltian attitude, Mr. Richberg takes a middle ground, and Mr. Tugwell characterizes himself as liberal in his interpretation of the Presidential philosophy.

Now comes the Secretary of Agriculture, Mr. Wallace, to observe that the end of the road for capitalism is approaching, "if not already here." He says we are caught on the horns of a most terrible dilemma. One assumes it must be a three-pronged set of antlers for he holds that capitalism, communism, and fascism are subject to exactly the same criticism. It would be comforting to know where we are trying to go even in the absence of assurance that we will arrive.

MILWAUKEE is very proud of its Central Board of Purchases. Among other things, it purchased last year motor trucks, meal worms, cleaning powder, ostriches, guinea pigs, monkeys, music binding, diaper cloth, dog biscuits, salt by the carload—everything from apricots to zeolites. And the average saving was 15%. It comes from both ends. Competitive bidding magically reduces prices quoted by suppliers. City departments, for equally mysterious reasons, discover when their purchases are supervised that they can use standard stuff instead of special, after all, and less of it, at that.

THE need of long-time planning in our national economy, particularly in agricultural and natural resource industries, is indicated by a report of the Department of Agriculture on the horse and mule census. This population has decreased by 10 million head since 1920. Of course, each time we lose a horse or mule we gain nearly 2 automobiles, and a lot more men and material find employment producing and maintaining automobiles than they do in the other field. Probably we are better off nationally for the change. But what we overlook is that it took 40 million acres of good farm land to raise the hay, oats, and other provender that once maintained those now defunct farm animals. That 40 million acres either has gone to weeds and been foreclosed by the state for taxes or is busy raising a menacing surplus of other farm produce, mostly foodstuffs.

Perhaps if we could give the harassed farmer back his 10 million horses and mules his surplus problem would not be serious, but what would become of Detroit? Such things can be foreseen. Perhaps something ought to be done about them.

BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 9, 1935

The Pied Pipers of Hamelin

General Hugh S. Johnson made a speech Tuesday night before a select gathering under the auspices of *Redbook Magazine,* but he was talking directly to several million people in a radio audience. In the course of his remarks he said:

"We expect politics to make strange bed-fellows but if Father Coughlin wants to engage in political bundling with Huey Long or any other demagogue, it is only a fair first move to take off that Roman Catholic cassock."

That was not the keynote of the General's blazing speech but it is the keynote of the strange political situation in which General Johnson once more emerges into the limelight. Politics and demagoguery have been making strange bed-fellows indeed. Business and agriculture and all the forces that go to make the established order in this country are becoming more dependent every day on Franklin D. Roosevelt to protect them from the confusion and chaos that is deliberately created by demagogic leaders. In some respects they have contributed to the economic and political folderol that has put the burden of protection upon the President.

Now by an equally devious series of circumstances, General Hugh S. Johnson, damning conservative business leaders with one breath and the pied pipers of Louisiana and the Parish of the Little Flower with the next, comes into the public consciousness as one of the most available and effective men in this country to answer Long and Coughlin and to take leadership in a crusade to protect business, the President, and Americanism generally from what may prove to be the most menacing movement of protest ever developed in this country.

Probably three out of four people who heard or read Johnson's speech found much in it that was offensive. And yet in his simple, direct, and belligerent way he went to the very heart of the present national problem. More by implication than by direct proposal he suggested the two things that are vitally necessary in our present situation. One is understanding and conciliatory cooperation among business, agriculture, and the President. The other is a direct and forthright attack on the political and economic insanities of the day by men who talk the language of the people who are embracing those insanities; men who can give and take the sort of stuff that Father Coughlin and Senator Long have been pouring over the ether for months.

The need of active cooperation between the President on the one hand and business and agriculture on the other is becoming more urgent every day. So far as both are concerned, business has always known and the President has publicly stated that the one road to recovery and the only way to end the relief burdens of federal government is through the revival of private enterprise and restoration of private initiative.

From Mr. Roosevelt's point of view the picture is changing rapidly. A Congress which was supposed to be subservient is becoming unruly and dangerous. Radical tendencies threaten to predominate. Mr. Roosevelt is not prepared either to lead or to follow any movement pointing toward the destruction of the American form of government. His only possible advantage in that direction lies in dictatorship. Neither Long, Coughlin, nor any other leader of the "lunatic fringe" considers him acceptable for the job.

Business should recognize its own need of rapprochement with the Administration. Even the most ardent advocate of the old order must admit that business cannot possibly have any political strength or any dominating influence on legislation or Administration in its own right during the next two and probably the next six years. The Administration has no important allies outside its own political machine. Labor has turned belligerent if not hostile. Agriculture is suspicious and turning quarrelsome. Business is becoming vocal and active in its opposition. Perhaps the major points of all three are sound in theory. In the arena of practical politics, however, they may be pushing toward confusion.

The President is still a reformer and always will be. But he does want progress and recovery. He may have discovered that reform movements easily get out of hand and become destructive. At least, there is the groundwork for cooperative effort.

The second job which General Johnson suggests must be done immediately and in a forthright manner is the giving of the right sort of opposition to the leadership of Long and Father Coughlin. To this end business can do little directly in its own behalf. However one may appraise General Johnson, it must be conceded that he is one of the great publicists of this generation. He advises soundly when he says that it is futile and probably harmful for business to oppose the diatribes of radicalism with the four-dollar words of paid economists. Half a dozen men like General Johnson and Al Smith can do more to stop the Priest and the Senator than all the scientific refutations business could produce.

The 80 millions "abused babies" General Johnson says are following or prepared to follow radical leadership do not understand and are not interested in scientific proof that they are accepting unsound social or monetary doctrines. But they will understand what General Johnson means when he tells them they are suckers for doing it.

It is not sufficient answer to Coughlin's followers for bankers to tell them that the priest proposes to make money out of nothing, which would make all money worthless. Father Coughlin has them sold on the idea that bankers have been making money out of nothing since time began. But one who speaks their own language and commands their confidence can convince them that whatever may be the hocus pocus of monetary control, the Coughlin idea has been tried repeatedly throughout our history and the poor have always suffered most from the experiment.

General Johnson was not seeking a job of wooing anybody's good graces when he made that speech. He complimented no one except the President, who had fired him from the one job he loved most and wanted least. He did demonstrate again his matchless gift of showmanship. And showmanship rather than reason must be used to stop Huey Long and Father Coughlin.

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